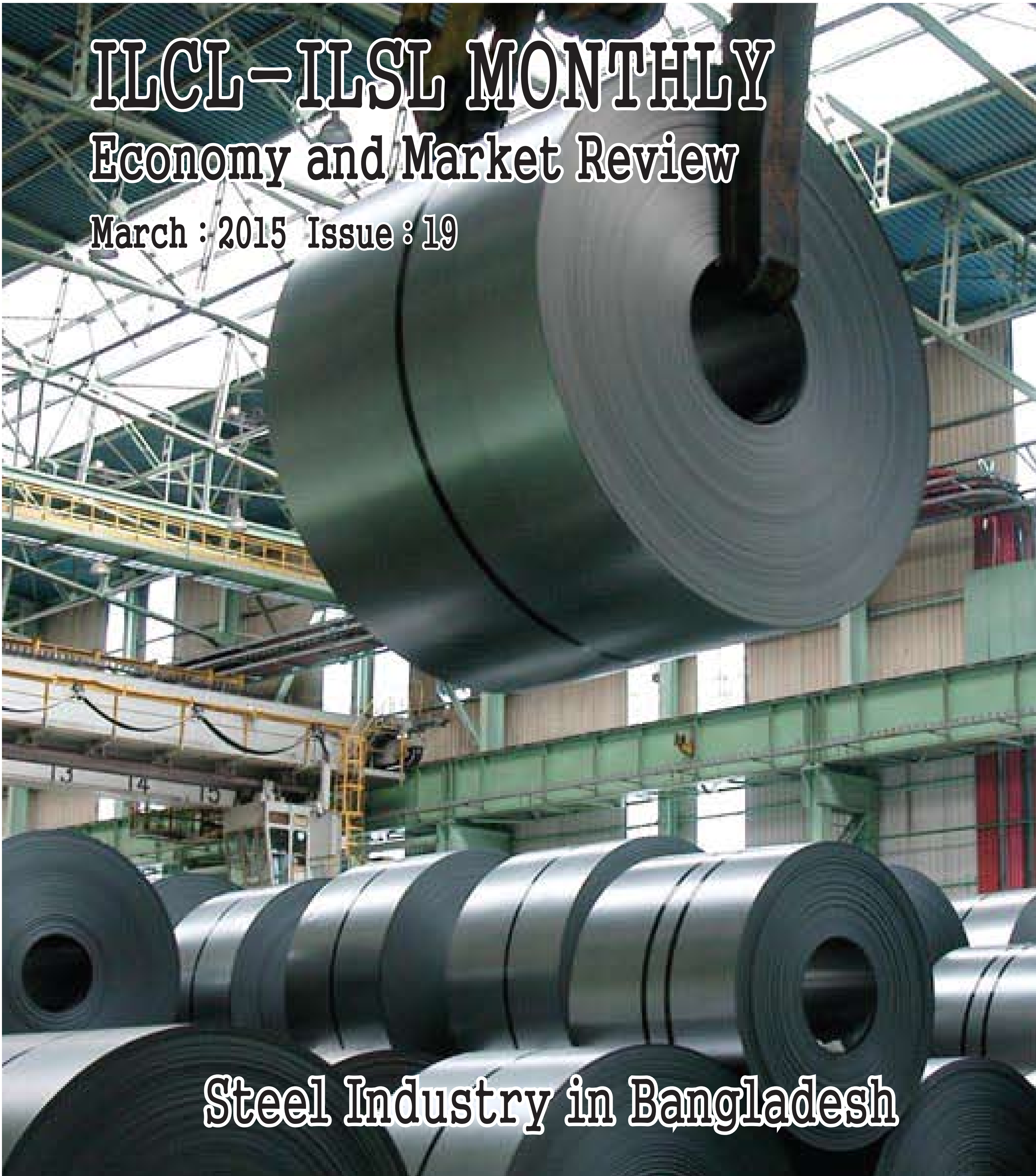
ILCL-ILSL MONTHLY

Economy and Market Review

March : 2015 Issue : 19



Steel Industry in Bangladesh

IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER
www.il-capital.com

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER
www.ilslbd.com

IL Capital Limited and International Leasing Securities Limited are subsidiaries of International Leasing and Financial Services Limited

Editorial

Welcome to our March 2015 issue. Our vision is to establish ourselves as one of the leading Investment Banking solution providers in Bangladesh with high ethical standards and best practices. We started our first monthly publication “ILCL Monthly Economy and Market Review” with September, 2013 edition and seek every opportunity to make it more informative and beneficial for our readers that cover honorable business community, corporate clients and high net worth retail clients.

This edition includes a short note on **Trade and Investment Relocation of China and Opportunities for Bangladesh** and also covers **Steel Companies operating in Bangladesh** with a snapshot over a stocks defined under the sector in prime bourse.

We are looking forward to any advice or suggestions from our readers or any other corner to make it distinguished and complete. Please do not hesitate to contact us to convey your opinion. We are also committed to the readers for any assistance or explanation over any doubt or confusion arises from our publications.

Thanking You-

Saad Faisal
Chief Operating Officer, IL Capital

Md. Humayan Kabir, FCA
Chief Operating Officer, ILSL

ILCL-ILSL MONTHLY

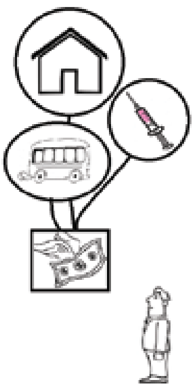
Economy and Market Review
March, 2015

Table of Contents

Economy Update

Country's **inflation** increased to 6.14% in February from 6.04% in January 2015. The country's food inflation soared to 6.11% in February from 6.07% in the month of January. Non-food items inflation, however, increased to 6.20% in February from 6.01% in January. The International Monetary Fund (IMF) has advised the Bangladesh Bank (BB) for taking measures to curb non-food inflation through monetary policy. The IMF believes that non-food inflation is a signal to the future direction of overall inflation in Bangladesh, as the impact of food price volatility tends to be brief.

The Bangladesh Bank's inflation target is set at 6.5% for the current fiscal year 2014-15 and aim to achieve 5% by 2017. To achieve the June inflation target, economists believe that reserve money growth rate will need to be limited to 15.95% and broad money to 16.5% by June 2015.



The International Monetary Fund (IMF) mission held in February to March 2015 concluded that this year, economic activity in Bangladesh has maintained momentum, buoyed by robust domestic demand. The IMF in their statement also added that from 2012 till now, Bangladesh has established sensible macroeconomic policies and reforms that has stabilized macroeconomics and created potentials of growth.

For the period of July 2014-June 2015, the IMF expects real GDP to grow by 6%.

Exports fell by 13.8% percent from the month of January and stood at USD 2.5 billion in February. The country's monthly **import** also declined to USD 3.6 billion in January from USD 4 billion in the previous month. The turmoil in the factors of balance of payment is only predictable due to the ongoing political uncertainty.

Bangladesh's **foreign exchange reserve** floats around USD 22.8 billion in March, indicating an almost steady inflow of remittance. The country received approximately USD 10.2 billion in remittance in the first eight months of FY2014-15. The momentum of this may not remain on the positive brim if the political turmoil remains constant.

The **private sector credit growth** stood at 13.3% in January 2015 from 13.5% in December 2014. It is mentionable that the private sector credit growth has been taking the hit of the political chaos for the last two years.

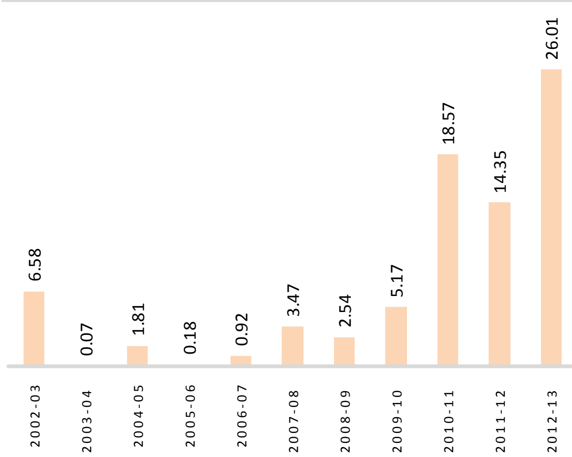
The **net foreign investment** in the local exchange dropped by 86% in the month of February compared to January 2015. The foreign investors, despite the political unrest, bought shares worth BDT 2.5 billion and sold shares worth BDT 2.19 billion in the month of February.

The **lending rate** for the month of January 2015 stood at 12.32% from 12.46% in the previous month of December. The existing average lending rate of 12-13% will eventually slow down the investment activities if the rate is not kept close above the inflation rate.

Trade and Investment Relocation of China and Opportunities for Bangladesh

The current advancement and rebalancing of Chinese macro-economic trade and investment policy come into sight as an enormous influence on the economic growth potentiality and investment opportunities for frontier markets like Bangladesh.

FDI Inflows by China (In million USD)



Source: IL Capital Research

The global strategies are on transformation backed by volatile economic activities over the periods. Most of the large economies are on the move to cope up the unwelcome situation to furnish the wealth of the economy. On the contrary some opportunities are emerged for developing countries following the global strategies accomplished by the large economies.

However, the economy run in 2014-15 leads to uncertainties receded by Euro crisis and recent oil price down and global economy significantly approaches to be slow in very near future. Against this backdrop, large economies may be interested to increase the exposure in less correlated and resilient emerging markets like Bangladesh. As Bangladesh has been proved as one of the most stable economies in both external shocks, such as the financial crisis in 2007-08, as well as frequent political turmoil and the Rana Plaza disaster, GPD grows consistently at average rate of around 6%. In recent years the labor cost of China has significantly rose by at least 20% following industrial upgrading, workers strike and other blows.

So, the low end industry of China has been significantly affected with the unwanted labor hike. Now, the Chinese manufacturing companies prefer to move more capital and technology-intensive industries to laborintensive industries. This process called **Leading Dragon Phenomenon deals** with unique investment and growth opportunity to developing countries where industrial sectors are still underdeveloped constrained with lack of investment capital and entrepreneur skills having large labor work force.

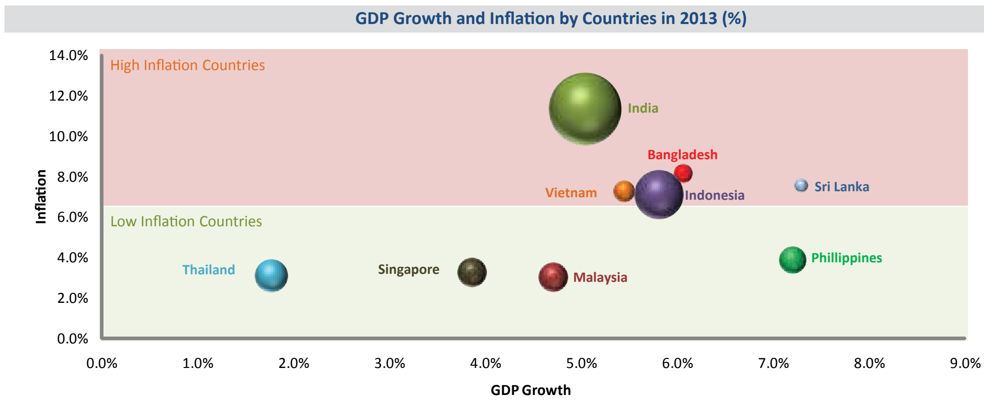
The trade relocation strategies of China would be beneficial to reap the growth of the economy. Therefore, Chinese manufacturing companies in labor intensive industries increasingly tends to move to business in developing countries to enjoy the low cost advantage. For this Bangladesh has been biggest beneficiaries with the trade relocation of China to continue the escalation of GDP under the gloomy global economy followed the evidence practiced in last financial crisis. **As a result the potential opportunities would be driven by the further expansion of export of labor intensive sectors such as Footwear, handbags, apparel and furniture and seed a few new export sectors such as toy manufacturing, light engineering and electronics, appliance assembly.**

Experts already hinted that Bangladesh within a few years is going to capture world market share through substitution of some labor intensive industries which China is going to give away. The deficiency of investment capital would be resolved by attracting FDI from developed economies like China, Japan Korea and Brazil. Since 2010 government of Bangladesh offers 22 economic zones to both local and foreign investors as the country needs USD 35 billion a year to grow by 8% annually to graduate as middle income-economy by 2021. Undoubtedly China becomes major player among these countries to drive Bangladesh to go away to middle-income economies.

On this pathway, Bangladesh faces some policy challenges for upcoming years due to macro-economic crisis in terms of inflation, a worsening balance of payment crisis, currency devaluation and lack of infrastructure development, transportation and political turmoil in taking the advantage of China relocation trade. ***Nevertheless the integration of geopolitics and China rebalancing could be a major driving catalyst for trade and investment relocation in the coming days.***

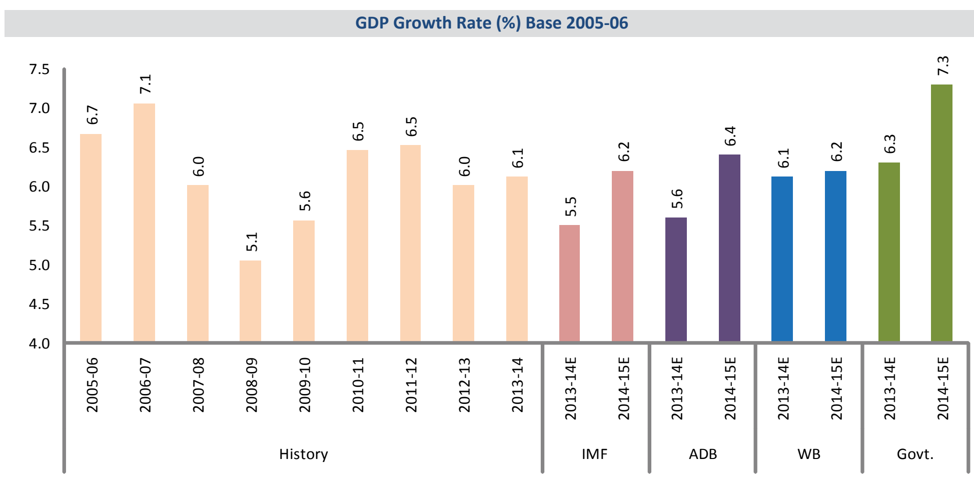
IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

GDP:

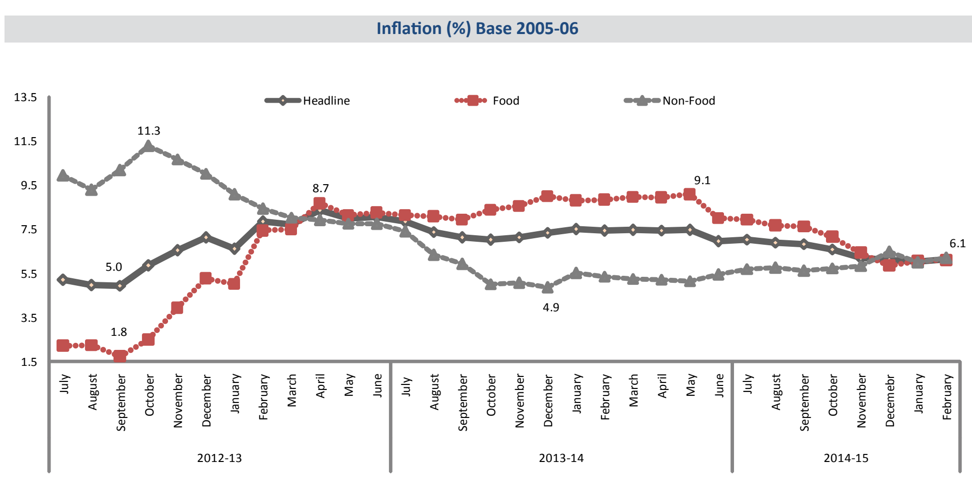


Note: Size of the ball represents GDP size (USD in bn) for the respective countries.

Source: World Bank Data and IL Capital Research



Inflation:

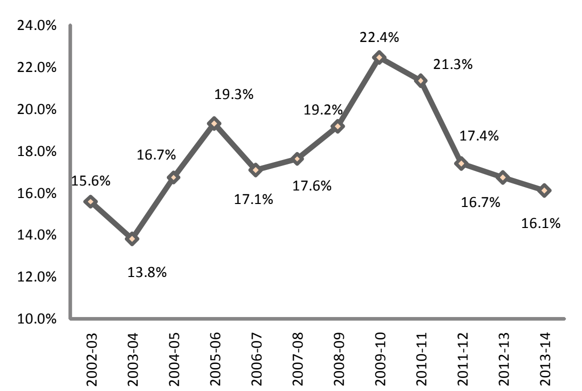


Source: Bangladesh Bank and IL Capital Research

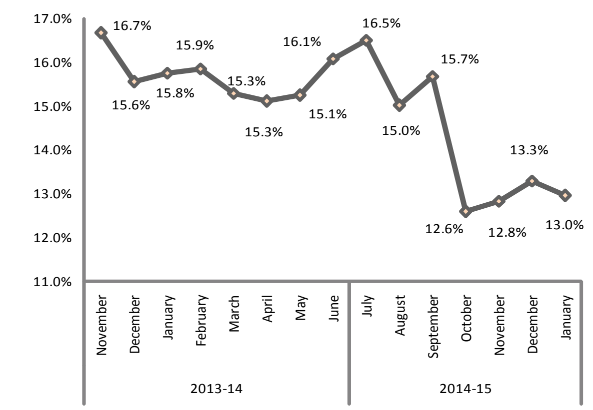
IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

Money Supply:

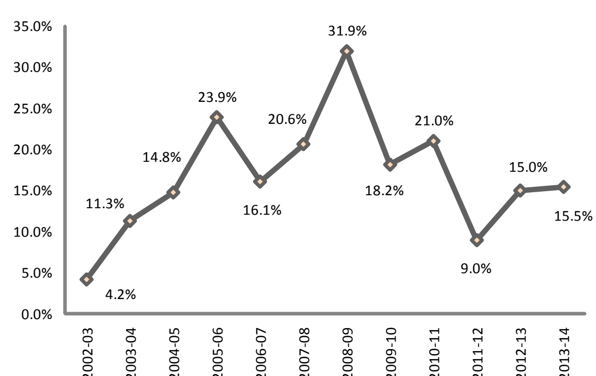
Annual Broad Money Supply (M2) Growth Rate (%)



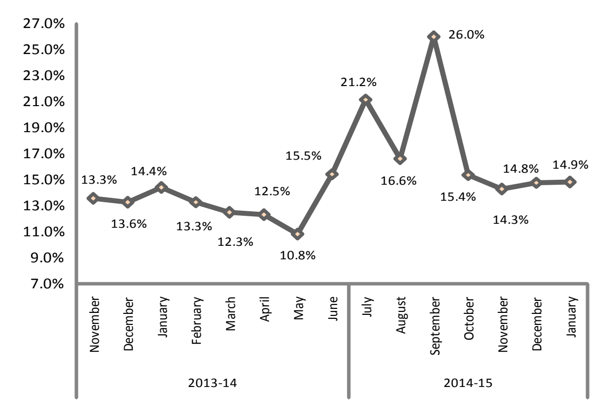
Monthly Broad Money Supply (M2) Growth yoy (%)



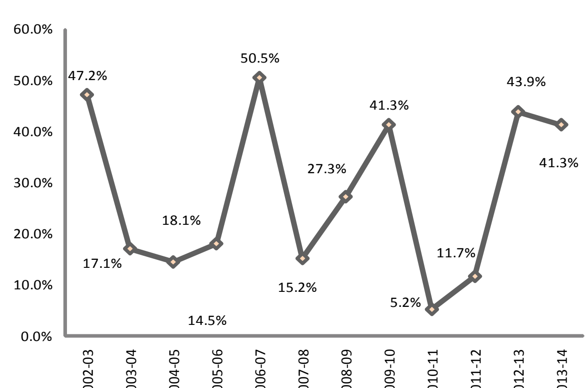
Annual Reserve Money Growth Rate (%)



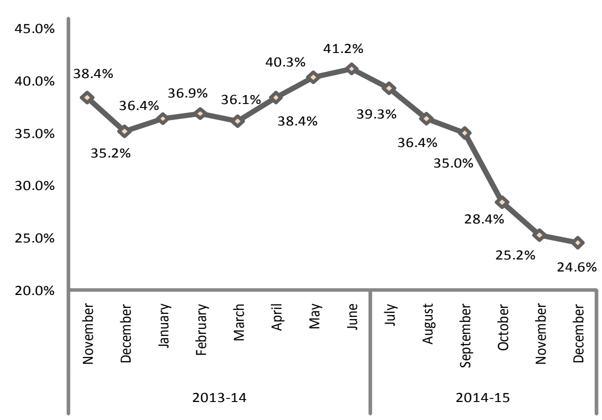
Monthly Reserve Money Growth yoy (%)



Annual Net Foreign Assets Growth Rate (%)



Monthly Net Foreign Asset Growth yoy %

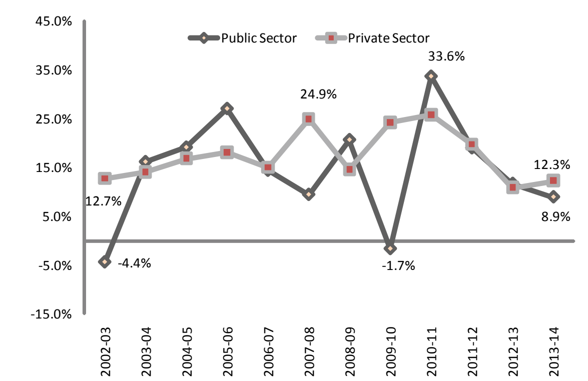


Source: Bangladesh Bank and IL Capital Research

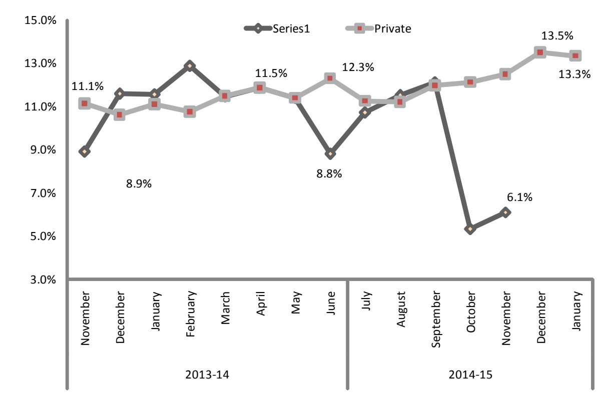
IL CAPITAL RESEARCH

Money Supply (Continued):

Annual Public and Private Sector Credit Growth Rate (%)



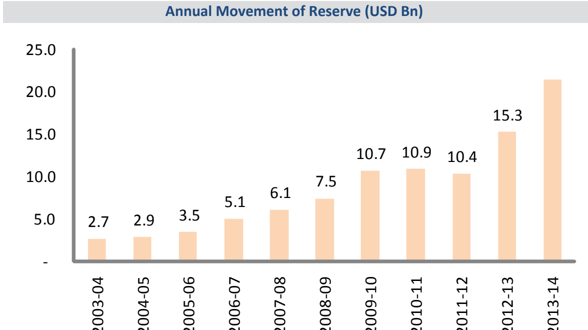
Monthly Public and Private Sector Credit Growth yoy (%)



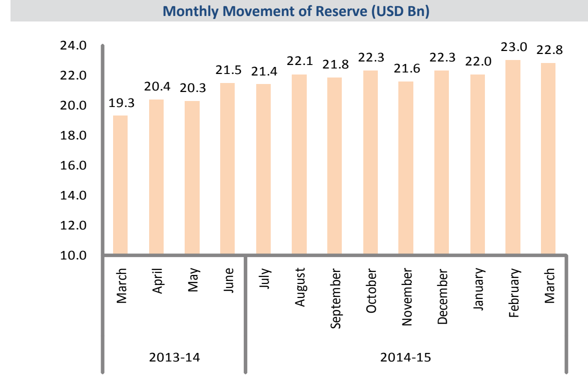
Monetary Aggregates Y-o-Y Growth (%)						
Items	Actual				Program	
	FY11	FY12	FY13	May.14	Dec-14	Jun-15
Net Foreign Assets	6.2	7.2	50.4	39.1	30.3	16.8
Net Domestic Assets	24.7	19.3	11.0	9.9	12.4	16.4
Domestic Credit	28.2	19.2	10.9	10.1	13.8	17.3
Credit to the Public Sector (incl. Govt.)	38.3	17.4	11.1	5.3	12.9	24.8
Credit to the private sector	25.8	19.7	10.8	11.4	14.0*	15.5
Broad money	21.4	17.4	16.7	15.2	16.0	16.5
Reserve money	21.0	9.0	15.0	10.8	15.5	16.0

Reserve:

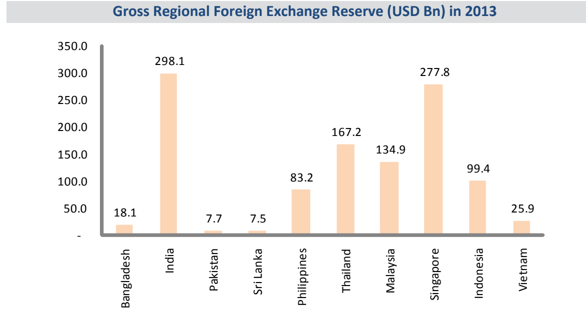
Annual Movement of Reserve (USD Bn)



Monthly Movement of Reserve (USD Bn)



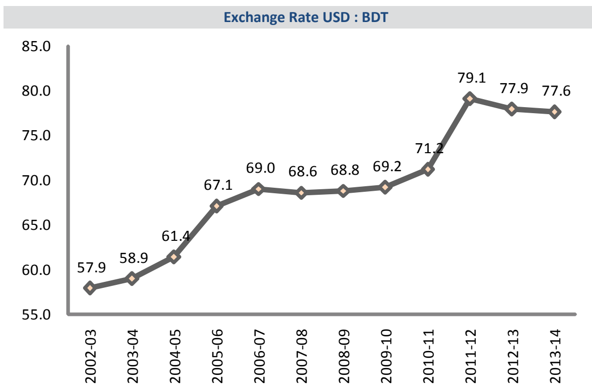
Gross Regional Foreign Exchange Reserve (USD Bn) in 2013

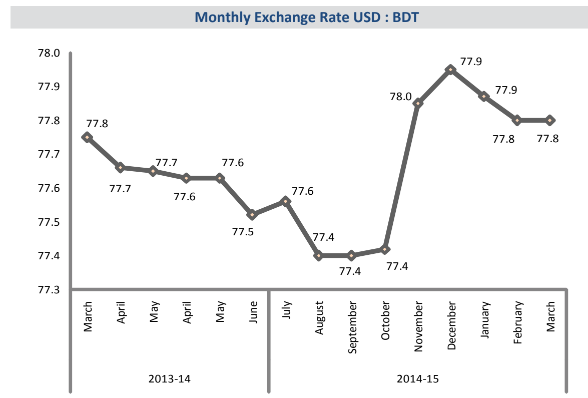


Source: Bangladesh Bank and IL Capital Research

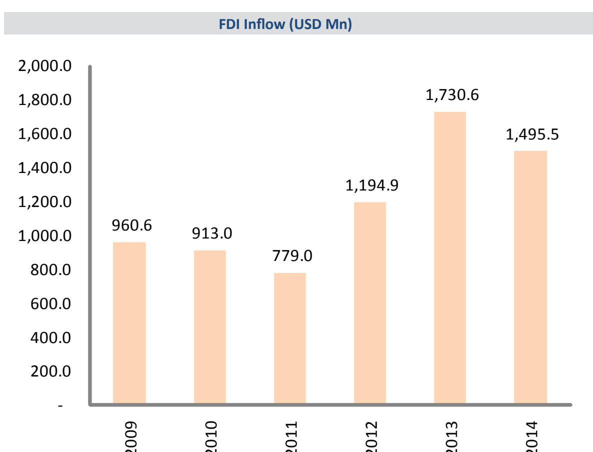
IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

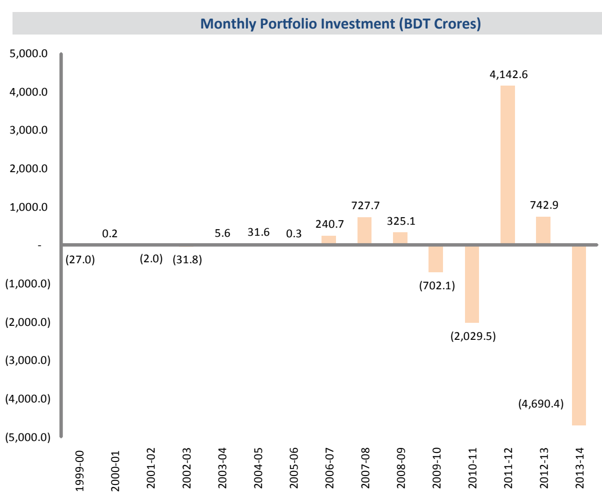
Exchange Rate:





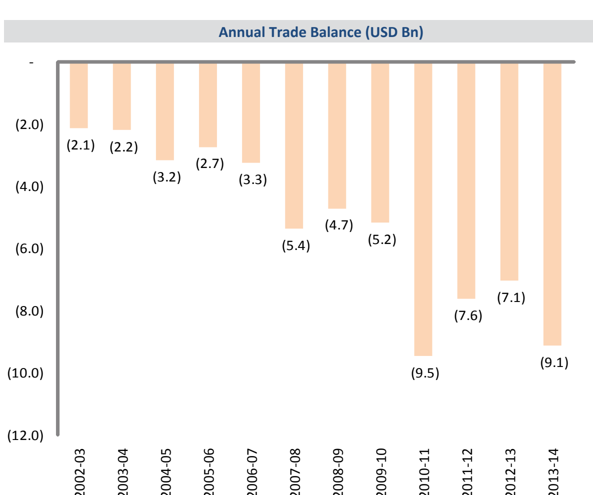
FDI Inflow and Portfolio Investment:

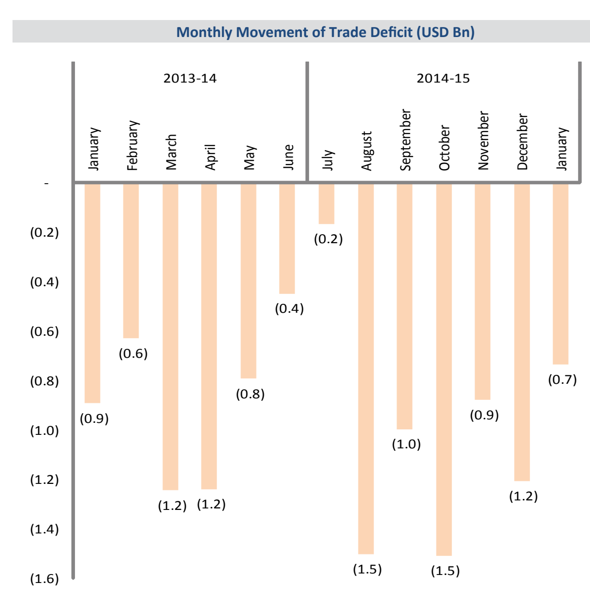




Source: Bangladesh Bank and IL Capital Research.

International Trade:

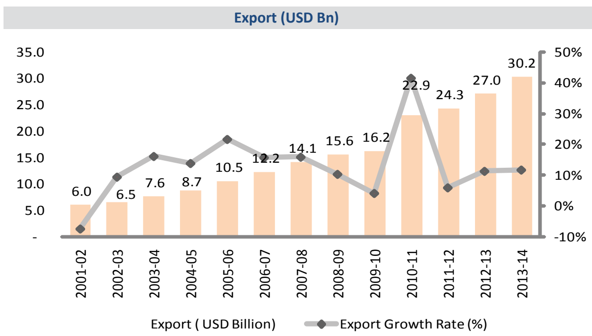


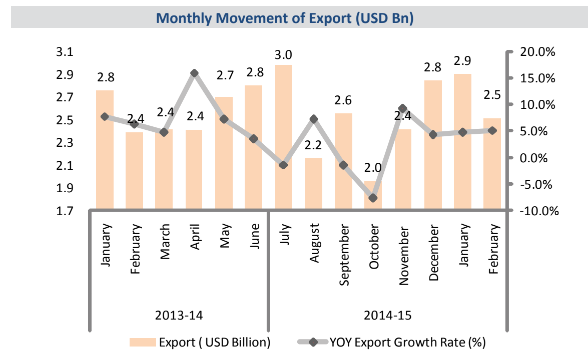


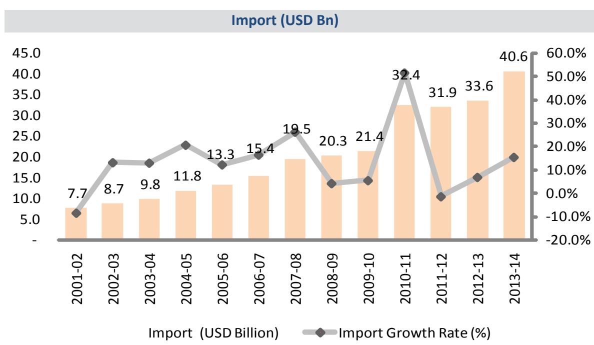
Source: Bangladesh Bank and IL Capital Research

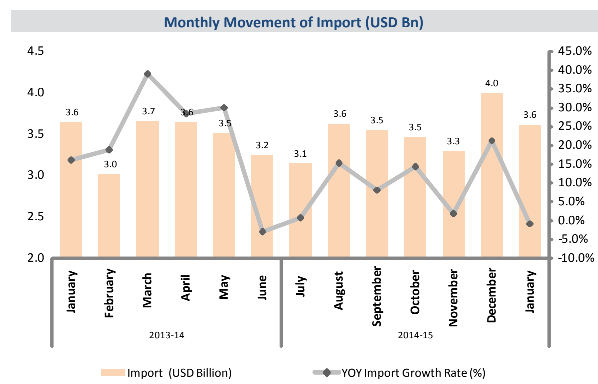
IL CAPITAL RESEARCH

International Trade (Continued):



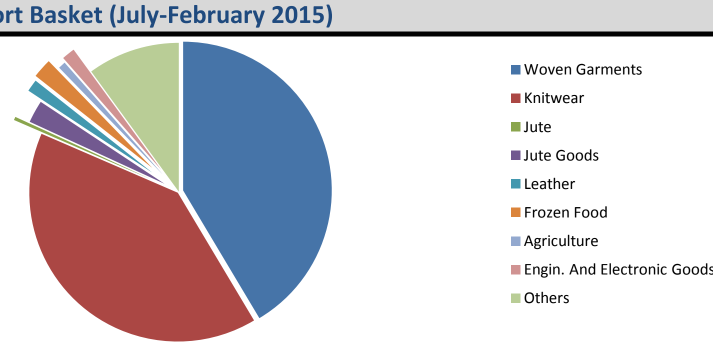




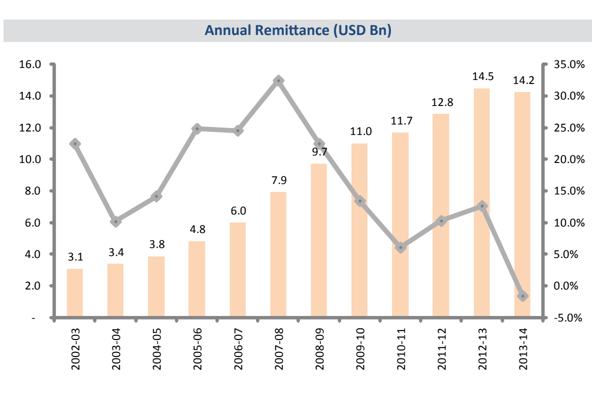


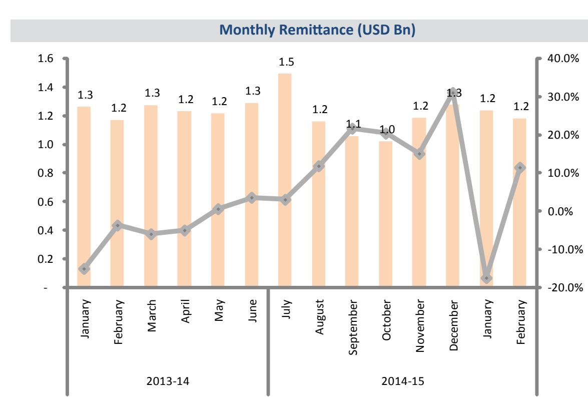
Export Basket (July-February 2015)

Woven Garments	41.4%
Knitwear	40.1%
Jute	0.4%
Jute Goods	2.4%
Leather	1.3%
Frozen Food	2.1%
Agriculture	0.8%
Engin. And Electronic Goods	1.4%
Others	10.0%



Remittance:



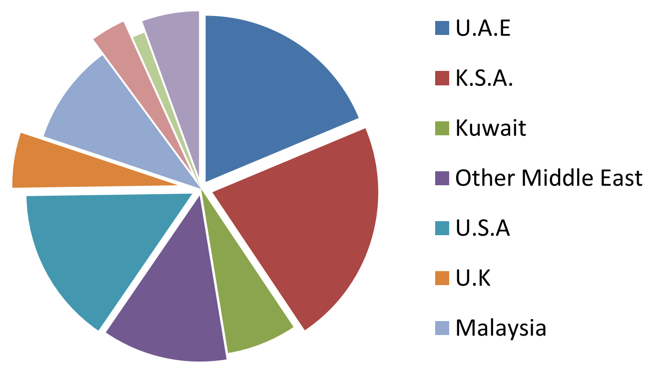


Source: Bangladesh Bank and IL Capital Research

Remittance (Continued):

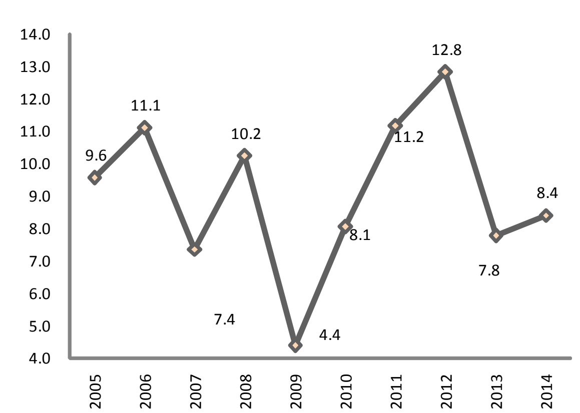
Remittance Portfolio (February 2015)

U.A.E	18.7%
K.S.A.	21.9%
Kuwait	6.8%
Other Middle East	12.2%
U.S.A	15.2%
U.K	5.4%
Malaysia	9.8%
Singapore	3.4%
Italy	1.2%
Others	5.6%

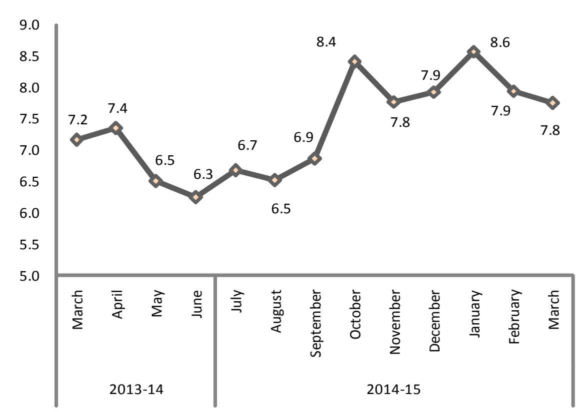


Interest Rate:

Annual Call Money Interest Rate (%)



Monthly Movement of Call Money Rate (%)

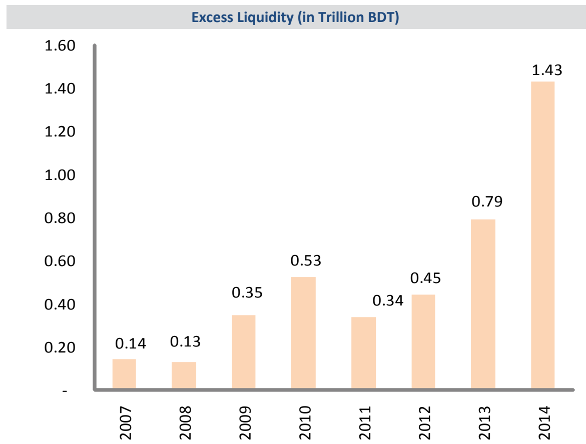


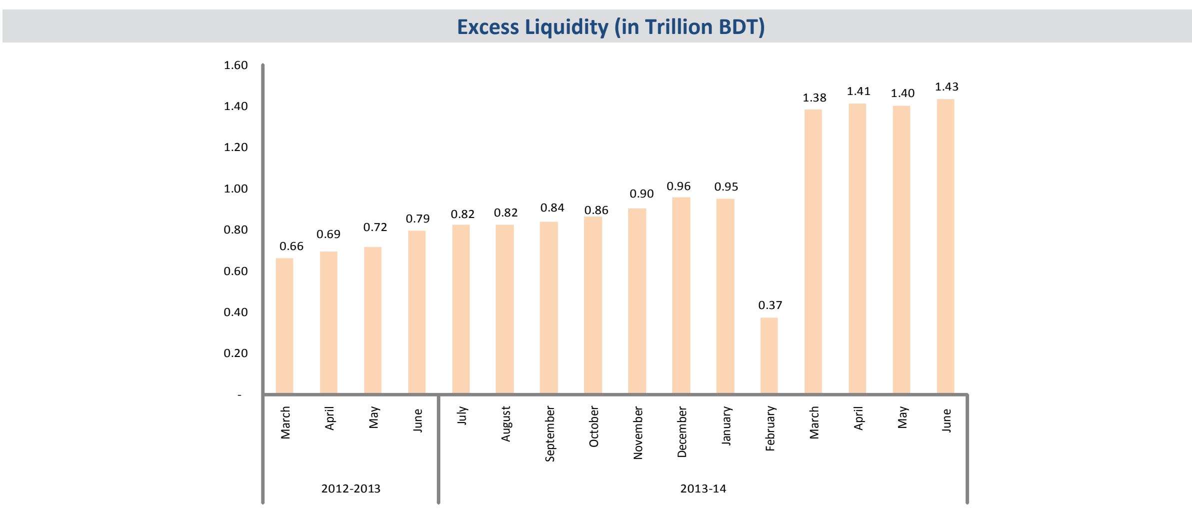
Lending Rate , Deposit Rate and Spread (%)

Source: Bangladesh Bank and IL Capital Research

IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

Interest Rate (Continued):





Source: Bangladesh Bank and IL Capital Research

MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) was down by 4.9% in March 2015 and 6.9% Year-to-Date.

- During the month of March 2015, Market (DSEX) closed down by 4.9%, mainly driven by the down-trend in share prices of Banks, General Insurance, NBFIs, Textiles and Real Estate & Services.

- The major sectors that set backed during the month of March 2015 were Banks (-14.3%), General Insurance (-13.1%) and NBFIs (-8.7%).

- On the other hand, the major gainer sectors were Telecommunication (6.1%), Pharma & Chemicals (3.5%) and Life Insurance (1.8%) in March 2015.

- Among the companies traded in the Dhaka Stock Exchange (DSE), RECKITTBEN (30.1%), IFADAUTOS (27.8%), POPULARLIF (23.0%), ACI (22.8%) and MARICO (19.5%) were the top gainers in March 2015.

- On the other hand, major loser companies were FLEASEINT (-29.9%), PUBALIBANK (-25.3%), MODERNDYE (-22.8%) and ABBANK (-21.7%) in March 2015.

- During the month of March 2015 the average daily turnover in the public market of Dhaka Stock Exchange was up by 1.0% to BDT 2.65 bn form BDT 2.63 bn in February 2015.

- Average daily turnover of Cement sector increased by 65.6% followed by Telecommunication (44.6%), Real Estate & services (39.0%), Pharma & Chemicals (33.3%) and Life Insurance (25.1%) in March 2015.

- However, average daily turnover of Ceramics, IT, Mutual Funds, NBFIs and General Insurance sectors declined by 61.9%, 49.8%, 46.5%, 42.7 and 32.0% respectively in the same period.

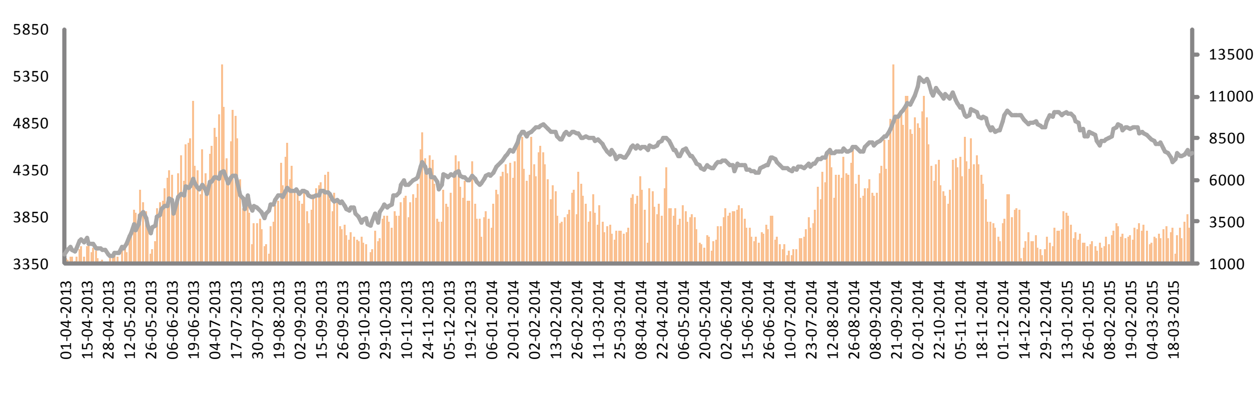
- There are sectors that have outperformed DSEX Year-To-Date namely Foods by 20.4%, Pharma & Chemicals by 15.3%, tannery & Footwear by 13.5%, IT by 9.6% and Telecommunication by 6.0% as of March 31st 2015.

- On the other hand, Real Estate & Services, Travel & Leisure, Banks, Textiles and Mutual Funds have underperformed DSEX Year-To-Date as of March 31st 2015 by 14.6%, 13.5%, 7.7%, 6.2% and 5.0% respectively.

- Market capitalization of DSE decreased by 2.0% to BDT 2.60 trillion (USD 33.41 billion) as of March 31st 2015 from BDT 2.65 trillion (USD 34.10 billion) in February 28th 2015.

- Three securities was listed in DSE during March 2015, which are: Shasha Denims Limited, Zaheen Spinning Limited and Asian Tiger Sandhani Life Growth Fund.

DSEX and Turnover movement in DSE



Sources: DSE and IL Capital Research

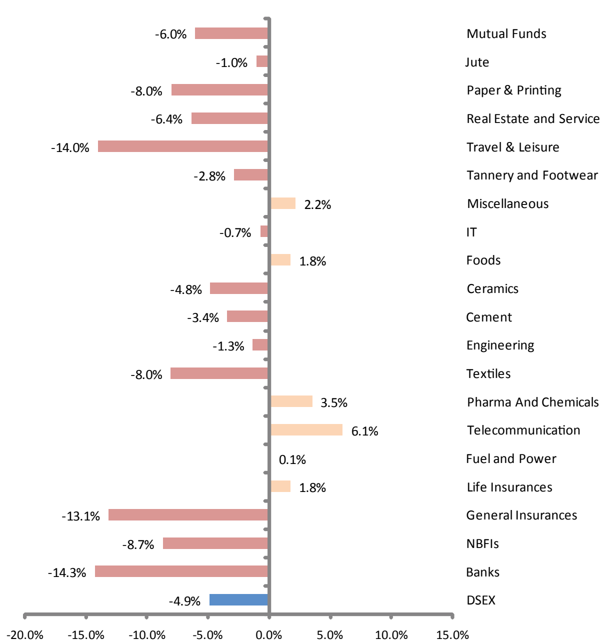
Market Capitalization of DSE

Instruments	31-Mar-15			28-Feb-15			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,570,530.0	33,061.5	99.0%	2,622,856.8	33,734.5	98.9%	-2.0%
Mutual Fund	26,773.3	344.4	1.0%	28,486.0	366.4	1.1%	-6.0%
Total	2,597,303.2	33,405.8	100.0%	2,651,342.8	34,100.9	100.0%	-2.0%

Note: Exchange Rate USD 1 : BDT **77.75**

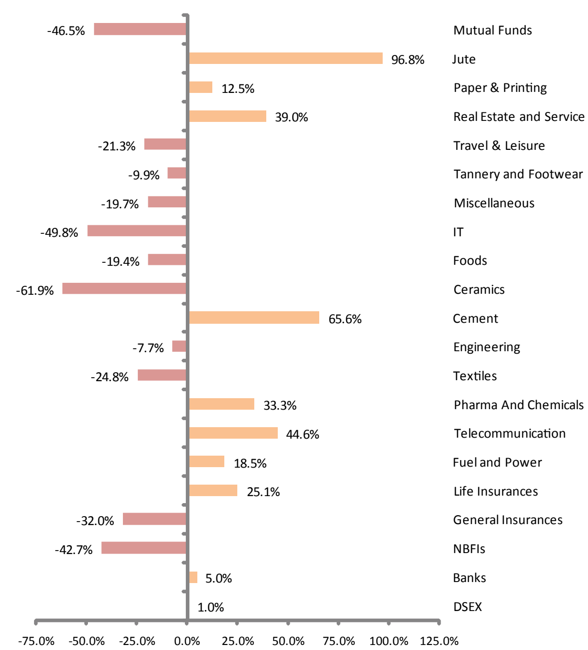
Source: DSE and IL Capital Research

DSEX and Sectors Movement in DSE (Monthly)



Note: Sector movement considers changes in Market Capitalization of the sectors

Average Tunrover Movement in DSE (Monthly)



Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

Top Gainers This Month

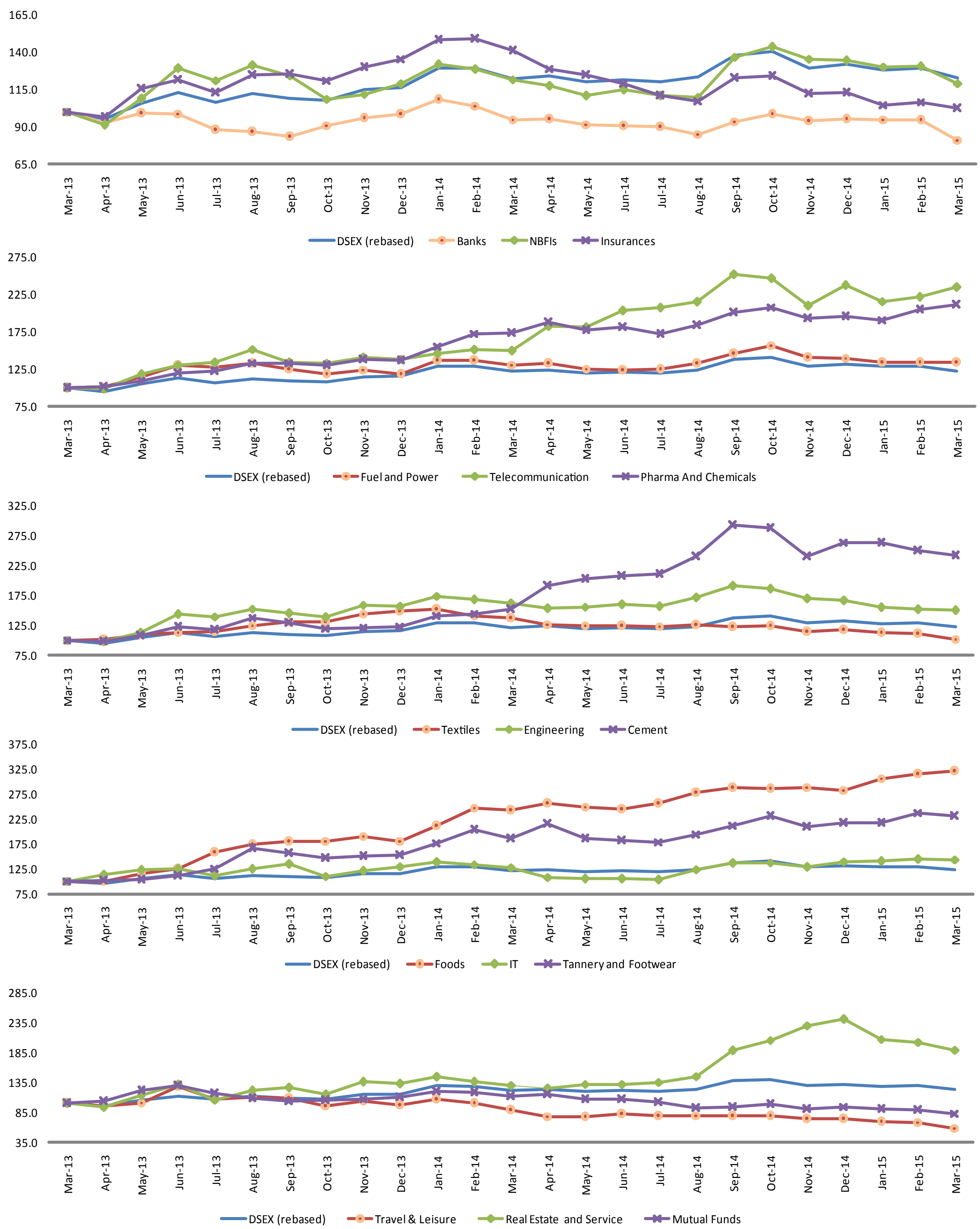
1	RECKITTBEN	30.1%
2	IFADAUTOS	27.8%
3	POPULARLIF	23.0%
4	ACI	22.8%
5	MARICO	19.5%
6	KPCL	13.7%
7	PHARMAID	13.7%
8	NITOLINS	12.5%
9	PROGRESLIF	11.8%
10	PRAGATILIF	11.4%

Top Losers This Month

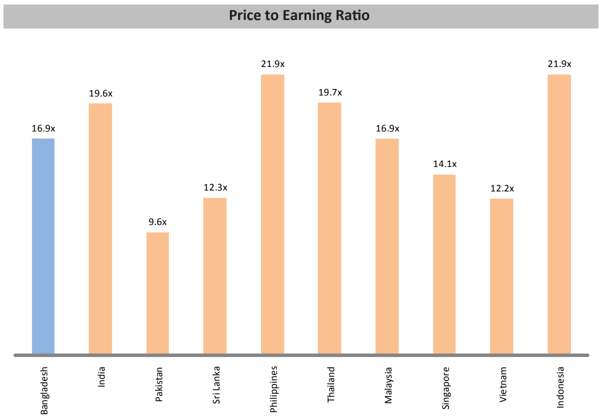
1	FLEASEINT	-29.9%
2	RUPALIBANK	-25.3%
3	MODERNDYE	-22.8%
4	ABBANK	-21.7%
5	PHENIXINS	-21.6%
6	FEKDIL	-21.4%
7	BGIC	-21.2%
8	CITYBANK	-20.7%
9	DUTCHBANGL	-20.6%
10	ALARABANK	-19.7%

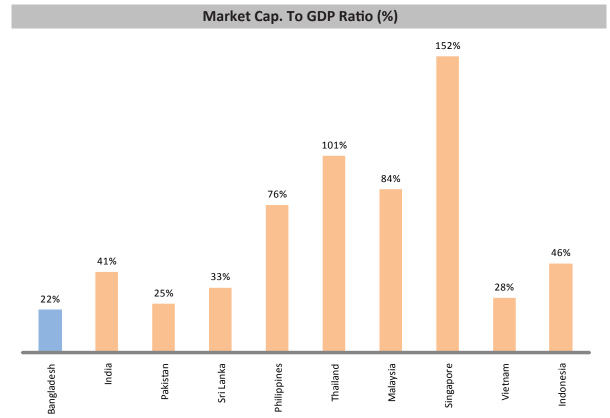
Source: DSE and IL Capital Research

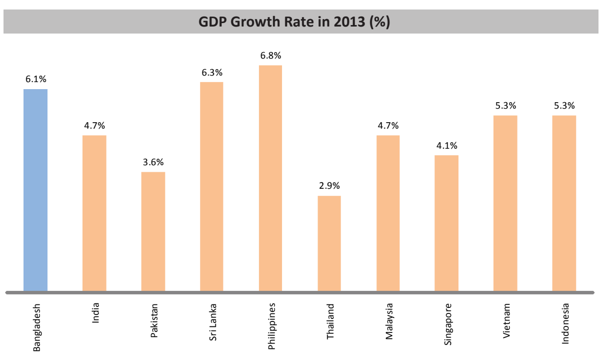
DSEX vs Sectors Movement (Base Value: 100)

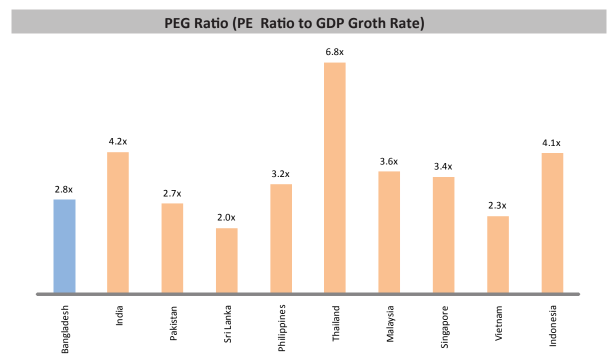


Note: The sector Indices are market capitalization weighted indices. Should you require any further clarification over index calculation methodology, please don't hesitate to contact IL Capital Research Team.









PEG ratio = PE ratio of the major stock exchange of the country /GDP Growth of the country in 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

- As on March 31st 2015, Bangladesh (DSE) is trading at P/E 16.9x which is lower than that of Philippine (21.9x) India (19.6x) and Indonesia (21.9x). However, Bangladesh (DSE) is trading higher than that of Singapore (14.1x), Sri Lanka (12.3x) and Vietnam (12.2x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on March 2015 is 2.8x which is lower than that of Singapore (3.4x), Malaysia (3.6x), Indonesia (4.1x) and India (4.2x). However, it's lower than that of SriLanka (2.0x), Vietnam (2.3x) and Pakistan (2.7x).

Regional Market Comparables

Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,531	4.30K	5.37K	16.9x	2.8x	33.4
India	SENSEX	27,963	22.20K	30.02K	19.6x	4.2x	727.8
Pakistan	KSE100	30,340	27.16K	35.06K	9.6x	2.7x	59.0
Sri Lanka	CSEALL	6,841	5.95K	7.67K	12.3x	2.0x	21.6
Philippines	PCOMP	7,950	6.42K	8.01K	21.9x	3.2x	206.6
Thailand	SET	1,509	1.37K	1.62K	19.7x	6.8x	428.7
Malaysia	FBMKLCI	1,826	1.67K	1.90K	16.9x	3.6x	284.6
Singapore	FSSTI	3,444	3.15K	3.47K	14.1x	3.4x	410.9
Vietnam	VNINDEX	546	0.51K	0.64K	12.2x	2.3x	47.7
Indonesia	JCI	5,460	4.72K	5.52K	21.9x	4.1x	397.1

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

Bangladesh Steel Industry Review

Steel is the key to sustainable development for the world today and a key driver of tomorrow's world economy. Steel is an important indicator when it comes to the question of infrastructure development. Bangladesh has a proud history of steel making and shaping art. Goldman Sachs identified Bangladesh as one of the "next 11 emerging economics" of the world in 2015 in its Global Economic Outlook report. Bangladesh needs to chalk out a huge comprehensive development plan to materialize this in which building infrastructure needs to be given highest priority.

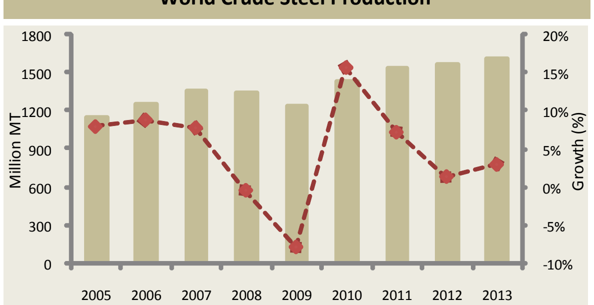
Since steel demand is derived from other sectors like construction buildings, roads, consumer durables and infrastructure, its fortune is dependent on the growth of these user industries. However, acceleration of Government's big infrastructure projects under Annual Development Program (ADP), initiation of Padma Bridge construction, increasing demand for pre-fabricated steel structure and revival of the local real-estate industry will undoubtedly boost-up the steel consumption in Bangladesh.

The industry has emerged as a major contributor to the national economy meeting total local requirements; manufacturers are saving billions of dollars in foreign exchange. Not only that, the industry has been a great provider of employments.

Global Steel industry Review

World crude steel production reached 1,662 million MT for 2014, up by 1.2% compared to 2013. The growth came mainly from the Middle East. Crude steel production in the EU, North America and Asia grew modestly in 2014 compared to 2013, while in the C.I.S. and South America it decreased. The average crude steel capacity utilizationof the 65 countries in 2014 was 76.7% compared to 78.4% in 2013.

World Crude Steel Production



Source: World Steel Association and ILSL Research

The developing world was the primary driving force in steel demand ever since 2008 and indeed also of global economic growth.

Production

Steel is 100% recyclable, which means it can be reprocessed into the same material of the same quality again and again. Recycling accounts for significant energy and raw materials savings: more than 1,400 kg of iron ore, 740 kg of coal, and 120 kg of limestone are saved for every tonne of steel scrap made into new steel.

More than 400 steel mills of different categories and sizes are operating in the country and their combined capacity stands at more than 8.0 million tons. The industry as a whole has a net worth of about BDT 300 billion.

Bangladesh's Apparent Steel Use (Crude Steel Equivalent)

Source: World Steel Association and ILSL Research

In Bangladesh most construction steel can be traced to local production, which is roughly 4 million tons per annum of long products, most of it in reinforcing steel, commonly known as M.S. Rods. Long Steel products are used in all industrial sectors, particularly in the construction and engineering industries. Another 0.7 million tons of corrugated galvanized roofing sheets commonly known as C.I. sheets are also produced locally. Steel stock from capital goods such as machineries and transportation vehicles are entirely imported.

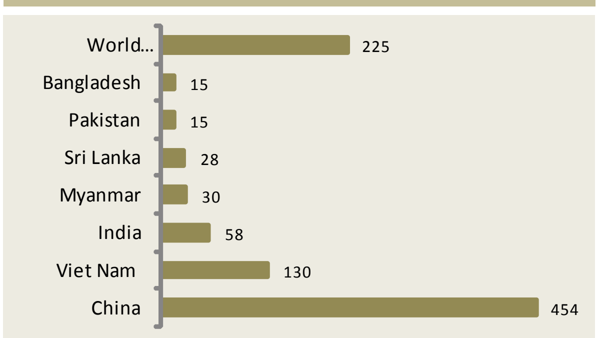
The smaller mills mainly produces rods, billets and angles etc. and supply steel materials for buildings, bridges, railways and the light engineering sector including the manufacturers of bicycles and auto parts. Companies buy billets (metal bars in semi-finished state) from the steel millers and roll them for manufacturing mild steel (MS) rods and other construction-related steel products. In 2012, the manufacturing cost of per ton MS rod was around BDT 60,000 to 65,000.

Consumption

Exact year-to-year figures for the annual demand of steel and MS rods in the country are not available. At present Bangladesh has a demand for roughly 4 million tons of metal / steels as per the market players. Within this Bangladesh's annual demand for quality rod is estimated at more than 2.5 million MT, where country usually consumes over 70% of its annual demand in the peak season. The expected growth rate is approximately 10%.

Though Bangladesh is an emerging developing country and has been growing at over 6% on average for the last one decade, its per capita consumption of steel is well below the world average of 225.2 kg in 2013.

Per Capita Consumption of Steel-2013 (in KG)



Source: World Steel Association and ILSL Research

Bangladesh is one of the lowest consumers of steel products in the world. Bangladesh has a long way to go to attain steel intensity as the majority of its population still resides in rural dwellings and infrastructure still does not cover the bulk of the population.

Major Players

Chittagong based BSRM Group is the market leader in the steel manufacturing sector of Bangladesh. The company occupies 26% of the total steels market of the country. BSRM Steels currently produces around 6 lakh tons of steel a year. The group is also scaling up its production capacity by 0.3 to 0.4 million tons a year.

AKS's re-rolling mill is the single largest steelmaker in Bangladesh, with the capacity to produce 1.2 million tons of graded steel bars per year. They are in the process to further increase in capacity to strengthen their foothold in the steel market. After BSRM and AKS, KSRM is the biggest steel miller with an ability to produce 4 lakh tons of iron metal a year. Besides the large players, there are around 400 small mills that produce non-graded rod and other steel products, according to Bangladesh Re-Rolling Mills Association (BRMA). Non-graded rods are made from scrap of the ship-breaking industry based on the scrap plates and open cast ingots for which there is no mill certificate or test result.

Major Players in Steel Market	
1	BSRM Group
2	AbulKhair Steel (AKS)
3	Kabir Steel Rolling Mills Ltd. (KSRM)
4	Rahim Steel Mills Co. (Pvt.) Ltd
5	Sheema Automatic Re-Rolling Mills Ltd.
6	GPH Ispat Limited (GPH),
7	Ratanpur Steels Limited (RSRM)
8	Anwar Ispat Limited
9	Baizid Steel Industries Ltd.
10	Bashundhara Steel Complex Limited

Source: ILSL Research

According to the market players, presently 65% of the country's annual need is met by the graded millers, such as BSRM, AKS, RSRM, and GPH Ispat. Even though non-graded millers held 50% of the total market share three years ago, it has now dropped to 35%.

This fall in the market share attributed to consumer awareness and sensitivity to the quality of rod. The market share of the non-graded mills will go down further in the next 5-10 years, as the big millers expanding their capacity.

Import and export

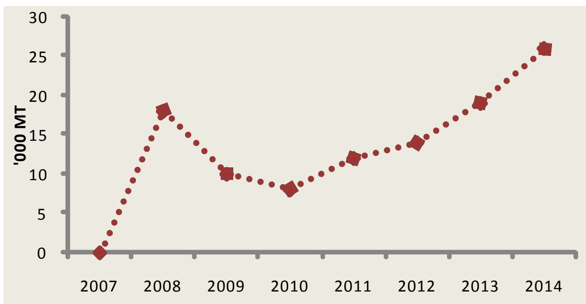
Bangladesh does not need to import steel finished products as a good number of local mills are manufacturing international standard steel products for construction. However, the country still imports a good proportion of semi-finished Steel products billets to meet its total requirement.

Imports of Semi-finished Steel Products

Source: World Steel Association and ILSL Research

Though the steel industry of Bangladesh is not an export oriented one, the country has started to explore its steel production in international market. In 2014, around 26,000 MT of steels products were exported from Bangladesh as per World Steel Association.

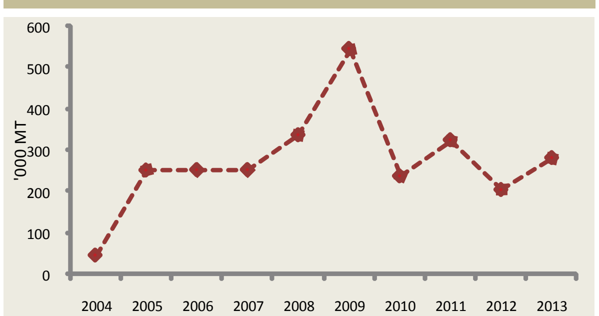
Exports of Semi-finished and Finished Steel Products



Source: World Steel Association and ILSL Research

Besides, the country need to import a good amount of iron scraps, the basic raw materials for producing billets and other non-graded steels.

Import of Iron Scraps



Source: World Steel Association and ILSL Research

However, import dependency for iron scarps in recent years has declined compared to that of 5 years ago as local ship breaking industry produces a good number of scrap materials.

Raw materials

The main raw materials for manufacturing steel products for the construction industry are Billets. Billet is an intermediate steel product, mainly produced by melting iron ore. It is melted to make rod or other long steel products.Due to high demand for quality billets the market players themselves have invested money to produce this steel product in the country. Even though a number of local companies including BSRM, GPH, RSRM, Rahim Steel and Bashundhara Steel are producing billet, around 1.5 million tones billets are still required to import every year.

Currently at least 70% of raw materials are imported. However, Bangladesh will fully depend on locally manufactured billets within 2016 as large investments have been made by some leading market players.

Iron scrap is the main raw materials for producing billet. Previously the local manufacturers had problems with raw materials, but they are available now from scraps in the ship-breaking yards. Bangladesh has no iron ore sources or mines, which makes the ship scrapping as the inevitable and important source of raw materials. However, the ship breaking industry of Bangladesh cannot meet the whole demand from the steel and re-rolling mills for scrap iron, from which billets are being manufactured.

Contribution of Ship Breaking Facility in Still Industry- 2013

Steel Consumption	5 million Tons
Steel Production	2.2-2.5 million tons
Scrap Steel from Ship Breaking	Up to 1.5 million Tons
Ship-breaking-steel Contribution to Production	50%
Ship-breaking-steel Contribution to Consumption	20-25%

Source: Bangladesh Shipyard Statistics, 2013.

To meet the demands for iron scraps locally the ship-breakers are thinking to adopt new technology in their yards to convert iron scraps into shirred scraps.

Development of the Industry

The steel industry in Bangladesh has undergone a phase of development over the time. Half of today's steel grades were not available ten years ago. The most commonly used steel – rods or bars, used as reinforcement material with cement concrete. It used to be plain bars even in the sixties. They were followed by ribbed bars, and the ribbed bars were succeeded by the cold twisted deformed bars and now it is 'Thermo Mechanically Treated (TMT)' bars. Each phase of development has added to the strength of construction.

However, concerning the quality assurance aspect, all materials must conform to the ACI (American Concrete Institute) and BSTI (Bangladesh Standards and Testing Institution) standard. People of Bangladesh are becoming more conscious regarding quality assurance. Engineers, contractors, workers and general people are indifferent in this particular issue.

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

Prospects of the Steel Industry

Bangladesh is an emerging economy and growing at more than 5% on average since 1995. Accordingly, a lot of investment has come into the steel sector. Although the global economy is passing through a difficult time, the indigenous steel manufacturers expect that the steel industry should continue to grow above 12% in the next few years, riding on government programs centering vision for 2021 and an increasing inflow of remittance in rural areas.

Government Infrastructural Projects: The ongoing major projects like 'Padma Bridge', 'Dhaka-Chittagong Access Control Highway' and the upcoming major projects like 'Dhaka Elevated Expressway' and the 'Deep Sea Port' would be requiring huge quantity of quality construction materials. Successful implementation of these projects holds a very good potential for top line growth, as steel and steel rods inparticular feature prominently as raw materials of these projects.

Domestic Production of Billet: A good number of mills which were once just re-rolling mills are now manufacturing billets and when the companies currently in the pipeline start production, billets import will stop automatically.

Export Potential: There is export opportunity in the seven north-eastern states of India. The MS rods produced in India are made of sponge iron, and are not of good quality. So, the Northeast Indian states prefer Bangladeshi re-rolling products. However, despite having a good market in those states, the local exporters are yet to grab it following some bottlenecks in the export process.

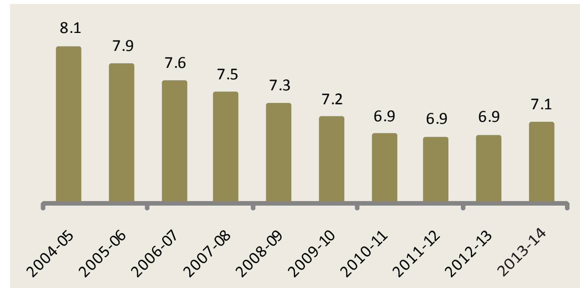
Trend towards Quality Steels: The trend of manufacturing quality graded steel products is there in the market, so producers of low quality steel would be discouraged in the coming days.If people have in-depth knowledge and cautiousness regarding the use of quality product, then quality products would be available in the market and at the same time industry would also be forced to continue to do improvement of their product.

Review of the Bangladesh Real-estate and Construction Sector

Earlier, the booming real estate and the government's big construction projects had helped the steel mills to grow. However, as the steel consumption is closely linked with the growth of the country's real estate sector's performance, recent bearish trend in the real estate sector caused a declining growth in the industry. As per the newspaper report, currently at least 1,300 flats are unsold in Dhaka city. Compared to overall GDP growth, this sector expanded in a slower rate since the last one decade.

This sluggish condition will reduce the growth of the apartment business and in turn the consumption of steels must also be reduced.

Share of Real Estate, Renting and Business Services in GDP (at Constant Prices)



Source: Bangladesh Bureau of Statistics and ILSL Research; *Provisional

Our country needs much more investments in infrastructure and utility facilities, which would mean more expressways, bridges, power plants, mass railway networks, ports and airports etc. in the public sector.

Investments in the housing sector by the private sector will drive demand for construction steel. Construction steel will dominate Bangladesh steel production for many more years in the future.

Major Obstacles faced by Bangladeshi Steel Manufacturers

After a decade of steady growth, local steelmakers are now facing tough times. Demand for steel products has fallen by 20% in recent times due to problems in the housing sector and slow development work across country. Accelerating cost of doing business, deplorable energy supply and a tight liquidity situation are the key problems faced by local re-rolling manufacturing sectors.

Low gas supply: Low gas pressure is hurting the huge potential steel industry. Local companies are not getting an adequate supply of gas and are being forced to use costly coal and furnace oil to run the factories. A number of re-rolling mills have already been shut down due to interrupted gas supply.

Decline in consumption: Slowdown in consumption by both the government and private sector is a big challenge for the local steel manufacturers. As per the market players, the government accounts for nearly 40% of total steel consumption. The government's slow implementation of the projects under the ADP, slowdown in the real estate sector and deadlock in the country's overall economy is pushing the sector onto the verge of uncertainties.

As per the newspaper report, demand for mild steel and steel rods has come down to 3.6 million tonnesin 2014 from its earlier 4.5 million tonnes. Even the big mills are also facing trouble as their products are being stockpiled at their compounds.

Surge in production costs: Rising costs of raw materials is another big threat for the industry players. Production¬cost of the re-rolling mills is increasing against somewhat low demand for MS rods.

Price Reduction in domestic market: Slower demand has pushed up stock-piles of products, while also dragged down the prices lower than the original production costs. As per the newspaper reports, over the December 2012-May 2013 period, steel product price has declined by Tk 6,000 per tonne. In 2014, the price fell by Tk 10,000 per tonne across the country.This price fall is decreasing the profit margin of manufacturers and making the competition tougher among the market players.

Price fall in international market: Besides the competition from big players, the smaller mills are also facing challenges such as price fall in international market and a decline in domestic demand for non-graded steels, which they said are forcing them out of the market.

High interest expenses: Rising cost on bank borrowing is making the market players worse off. Besides, the local producers cannot explore the export potential as higher export lead time increases the amount of bank interest against their borrowing.

Export restriction: Bangladesh has the capacity to export rod to the northeastern states of India, but cannot do so due to non-tariff barriers. The Indian authority demands BIS (Bureau of Indian Standard) certification for Bangladeshi products, though the local companies maintain international standard in their manufacturing process.

Competition from the big players: Small steel millers are being squeezed out of the market as more and more giants are entering the business and expanding existing capacity. Engineers prefer 60 grade rods and major portion of this product is being produced by large auto rerolling companies. Demand for 40 grade-steel rods has declined. Except some big steel and re-rolling units, most of the mills are in trouble now, and some have auctioned their factories for selling them to other parties. Small and medium-size mills were under real threat, as they were neither getting the bank support nor could continue their operation due to falling market demand.

Shortage in raw materials: The ship breaking industry of Bangladesh is not able to meet the whole demand from the steel and re-rolling mills of scrap materials or Iron scraps to feed the billet manufacturing units. If the local ship breaking industry fails to supply quality iron scraps to the billet manufactures, import of scraps materials will increase. This will consequently surge the cost of producing billet.

Political unrest: Manufacturers have curtailed productions by 30% and production is being hampered due to problems in transporting iron scraps from the ship-breaking yards. Most of the mills are running at less than 50% of capacity because of the frequent political outcry, unsecured transportation and rising costs. In addition to a significant fall in sales, raw material carrying costs doubles in the period of political unrest.

Concluding remark

The market for steel sector is increasingly becoming monopolistic, with over 300 smaller millers facing a phase-out of the market. Half of the factories have already been shut down for want of business.

Bangladesh Government has increased import duties on billet and ingot from BDT 3500 per MT to BDT 5000 per MT to promote and protect local billet manufacturers. Besides, increased import duty on Bar and Rods from 10% to 25% will increase the price of imported steels and also make local manufacturers more competitive in the indigenous market.

Gradually it is becoming difficult for the local industrialists to maintain their competitiveness, both in the local and in the international market. So, the government must help them by offering single-digit interest rate on bank loans, ensuring uninterrupted power supply, and providing special fund to the factories that will save the entrepreneurs from large amount of money investment. Things may change if the government takes steps to recover from the prevailing bad days in the industry by resuming gas, power and other utility connections to the real estate sector.

The Steel Industry Players in the Capital Market

Five companies operating in the Steel industry are listed in the capital market of Bangladesh, having a combined market weight of 1.2% of total DSE market cap.

Steel Manufacturers Listed in DSE

Ticker	Product type
BSRMSTEEL	M.S Rod and Bar
RSRMSTEEL	M. S. Rod
GPHISPAT	M.S. Rod and Billet
APOLOISPAT	Cold Rolled Coil (C.R Coil), Galvanized Plain Sheet (G.P Sheet) and Corrugated Iron (CI Sheet) Sheet
SALAMCRST	Cold Rolled Steels Strips (CR Strips) coils and sheets.

Source: Annual Reports & ILSL Research

In this issue we covered five listed companies. These are: BSRM Steels Limited **(DSE: BSRMSTEEL)**, GPH Ispat Limited **(DSE: GPHISPAT)**, Ratanpur Steel Re-Rolling Mills Ltd. **(DSE: RSRMSTEEL)**, Appollo Ispat Complex Limited **(DSE: APOLOISPAT)**, and S. Alam Cold Rolled Steels Ltd **(DSE: SALAMCRST)**.

Sources: World Steel Association, Annual Reports, Company Website, DSE website, the Financial Express, the Daily Star, the Daily Prothom Alo and ILSL Research

BSRM Steels Limited

DSE: **BSRMSTEEL**
BLOOMBERG: **BSRM:BD**

Company Overview

BSRM Steels Limited was incorporated in July 2002, commenced its commercial operation from April, 2008 and got listed to DSE and CSE in January 2009. The main purpose of the company is to manufacture M.S. products by setting up rolling and re-rolling mills and marketing the same.

The company's flagship product "Xtreme 500W" contributed 97.32% of total revenue in 2013. Rest of the revenue contribution came from D-Bar Grade-60, D-Bar GR300, D-Bar GR 400, D-Bar Grade-75 and Miss Rolls. Domestic market remained as the core revenue source spawning about 98% of the company's revenue and rest 2% of the revenue derived from export sales during the year 2013.

BSRM Steels Ltd. currently owns 95% interest in its only subsidiary BSRM Iron & Steel Co. Ltd. (BISCO), which is an in-house billet manufacturing plant. In 2013, BISCO's production increased by 21.34%. The company also has one associate in the name of BSRM Steels Mills Limited, holding 21.76% ownership, which is yet to commence its operation.

Currently, annual installed capacity of BSRM Steels is 600,000 MT and in the year 2013, capacity utilization was 105% with an 8.65% increase in production. BSRM Steel's annual consumption of billet (raw material for producing high quality steel) is 7.2 lakh tones. Presently, around 30% of raw materials are purchased from its sister concern BISCO. However, to meet total requirement, about 70% of its raw materials are imported from Japan, Taiwan, Korea, Turkey, North America and South America.

Investment Insight

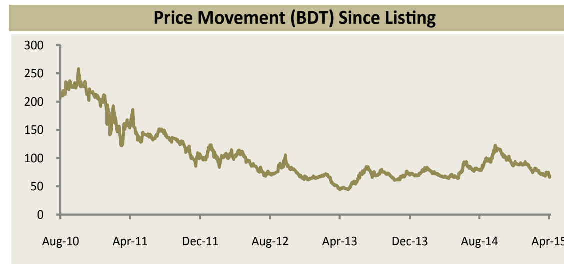
- The company is increasing its production capacity to 700,000 MT per annum, with an estimated Capex of BDT 450 million. The expanding production is expected to come in operation within May, 2015.
- BSRM Group is setting up a new billet casting plant at Mirsarai in Chittagong with equity investment of BDT 451 mn to produce 862,000 MT Billet per year under the name of BSRM Steel Mills (BSRM Steel owned 21.76% stake up to December 2013).The plant is expected to commence its commercial operation by November 2015. This will significantly eliminate its dependence on imported billet, which will reduce costs substantially and increase operational efficiency as well as limit foreign exchange rate risk exposure.
- BSRM Steel Ltd. is the leader in the local steel market having 20 % share of the total domestic steel demand.
- The group has got government approval to setup 150 MW coal based power plant at Sitakunda in Chittagong by investing more than US$ 250 million. The power project will be a merchant power project. However, the project delayed as the construction work of a private jetty for the company to help unload imported coal for its proposed power plant remains suspended due to the objection from Chittagong port authorities.
- BSRM Steel Ltd. is heavily exposed to leverage. High interest eats-up a significant portion of its profit.

Company Fundamentals as of March 31, 2015	
Market Cap (BDT mn)	24,710.3
Market weight	0.8%
No. of Share Outstanding (in mn)	341.8
Free-float Shares	51.6%
Paid-up Capital (BDT mn)	3,418.0
3-month Average Turnover (BDT mn)	16.3
3-month Return	-19.3%
Current Price (BDT)	72.3
52-week price range (BDT)	63-125
Sector's Forward P/E	22

	2011	2012	2013	2014 (9M ann)
Financial Information (BDT mn):				
Sales	31,243	38,262	36,295	38,440
Operating Profit	1,885	1,711	2,861	3,071
Profit After Tax	922	1,001	1,402	1330*
Assets	24,070	26,844	28,155	33,171
Long Term Debt	2,185	1,560	1,520	1,445
Equity	3,221	6,448	7,530	8,020
Dividend (C/B)%	15/0	2.0	15/0	15/0
Margin:				
Gross Profit	7.9%	6.5%	10.5%	10.6%
Operating Profit	6.0%	4.5%	7.9%	8.0%
Pretax Profit	3.4%	3.9%	5.7%	4.9%
Net Profit	3.0%	2.6%	3.9%	3.5%
Growth:				
Sales	41.4%	22.5%	-5.1%	5.9%
Gross Profit	10.8%	0.9%	54.0%	6.6%
Operating Profit	2.4%	-9.2%	67.2%	7.3%
Net Profit	-14.1%	8.6%	40.0%	-5.1%
Profitability:				
ROA	4.7%	3.9%	5.1%	4.3%
ROE	33.4%	20.7%	20.1%	17.1%
Leverage:				
Debt Ratio	81.0%	71.0%	64.0%	67.0%
Debt-Equity	604.0%	295.0%	239.0%	279.0%
Int. Coverage	2.3	2.6	3.4	2.8
Valuation:				
Price/Earnings	26.9	25.5	17.7	19.94*
Price/BV	7.7	3.8	3.3	2.9
EPS (BDT)	2.7	2.8	4.1	3.63*
NAVPS (BDT)	9.4	18.9	22.0	25.3

* As per the latest corporate diclaration

Price Movement (BDT) Since Listing



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, Company's concerned officials

I L S L R E S E A R C H

ILSL RESEARCH

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

DSE: **RSRMSTEEL**
BLOOMBERG:**RSRM:BD**

Ratanpur Steel Re-Rolling Mills Limited

Company Overview

Ratanpur Steel Re-Rolling Mills Limited (RSRM) was incorporated on 22 April 1986 and commenced its commercial production in 01 July 1986. The Company is engaged in manufacturing and selling of various graded of M.S Deformed Bar (500W /TMT, 400 W and 300W) from M.S. Billet.

The principal product of the company is M. S. Rod 60 Grade. 88% of the revenue generated from M. S. Rod 60 Grade, 10% revenue originated from M. S. Rod 40 Grade and rest 2% revenue generated by cut piece rod, Misroll, Scraps and Rubbish in FY 2013-14.

RSRM has installed production capacity of producing 187,200 MT annually of which 46% is utilized during the year 2013-14. The main raw materials of the company are M.S. Billet. The company has bilateral arrangement with a group of independent suppliers of raw materials. For M.S. Billet, it has agreement with Modern Steel Mills Ltd., Chittagong.

The company was listed in DSE and CSE in 2014. At present, 54.21% of total shares of RSRM are held by the sponsors/directors 4.58% by institutional investors and rest 41.21% by general public as per the DSE website.

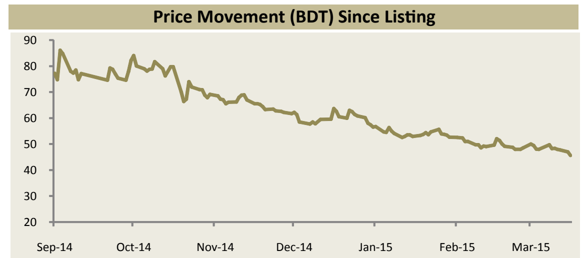
Investment Insight

- RSRM has an agreement with MAX Group for exclusively supplying 10,000 MT MS deformed bar (X power TMT 500W) which is equivalent to 10% of the yearly sales volume of the Company for constructing 5.2 Km long flyover at Chittagong. The construction work is now under process and this will enhance the company's revenue as well as profitably of the company.
- Steel industry requires uninterrupted power supply. The company has 16 MW power load connection from PDB and gas connection is connected with main distribution line of Chittagong zone. So, the company has sufficient electricity and gas supply.
- The Company has high dependency on a single supplier for its raw materials (M.S. Billet). It procures major portion of its raw materials from Modern Steel Mills Limited.

Company Fundamentals as of March 31, 2015	
Market Cap (BDT mn)	3,171.2
Market weight	0.1%
No. of Share Outstanding (in mn)	65.5
Free-float Shares	45.8%
Paid-up Capital (BDT mn)	655.2
3-month Average Turnover (BDT mn)	25.4
3-month Return	-18.7%
Current Price (BDT)	48.4
52-week price range (BDT)	48.0- 91.9
Sector's Forward P/E	22

	2011-12	2012-13	2013-14	2014-15 (6M ann)
Financial Information (BDT mn):				
Sales	5,936	5,254	4,767	5,178
Operating Profit	525	454	389	409
Profit After Tax	156	167	155	248
Assets	3,799	4,311	4,750	4,993
Long Term Lease	117	247	219	193
Equity	1,423	1,589	1,744	2,841
Dividend (C/B)%	-/-	-/-	5/20	-/-
Margin:				
Gross Profit	9.8%	9.8%	9.8%	9.8%
Operating Profit	8.8%	8.6%	8.2%	7.9%
Pretax Profit	6.3%	5.3%	4.4%	4.4%
Net Profit	2.6%	3.2%	3.3%	4.8%
Growth:				
Sales	49.5%	-11.5%	-9.3%	8.6%
Gross Profit	58.1%	-11.7%	-9.8%	8.7%
Operating Profit	71.9%	-13.6%	-14.2%	5.1%
Net Profit	-4.9%	6.9%	-7.1%	60.0%
Profitability:				
ROA	4.5%	4.1%	3.4%	5.1%
ROE	17.9%	11.1%	9.3%	10.8%
Leverage:				
Debt Ratio	28.3%	31.7%	27.9%	25.8%
Debt-Equity	76.0%	86.0%	76.0%	45.0%
Int. Coverage	3.9	2.8	2.3	2.4
Valuation:				
Price/Earnings	20.0	18.7	20.2	12.6
Price/BV	2.2	2.0	1.8	1.1
EPS (BDT)	2.4	2.5	2.4	3.8
NAVPS (BDT)	21.7	24.3	26.6	43.4

Price Movement (BDT) Since Listing



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, Company's concerned officials

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

ILSL RESEARCH

GPH Ispat Limited

DSE: **GPHISPAT**
BLOOMBERG: **GPH:BD**

Company Overview

GPH Ispat Limited was incorporated in Bangladesh as a Private Limited Company on May 2006, commenced its commercial production on August 2008 and got listed to DSE and CSE in 2012. The principal activities of the company are manufacturing and trading of structural bar of iron products and steel materials of all kinds (60 grade, TMT 500W etc.) as well as other metallic or allied materials of low & medium carbon and low alloy steel billets (main ingredient of manufacturing graded steel bar) and marketing thereof.

Domestic market remained as the core revenue source spawning about 100% of the company's revenue in year 2013-14 although the company earned 1.91% of its revenue from export of billet in year 2012-13. Currently, annual installed capacity of MS Rod and MS Billet is 120,000 MT and 168,000 MT respectively. In the year 2013-14 capacity utilization was 64.44% for MS Rod and 49.72% for MS Billet.

The Company's main raw material is various steel scrap.The second largest raw material is Sponge Iron. These two items cover more than 96% of raw-material consumption. These raw materials are sourced from local market through ship breaking yard as well as from foreign market. The company has 12 MW gas fired captive power plant named GPH Power Generation Limited.

Currently, as per the DSE website, 76.09% of the shares of the company are held by its sponsor/ directors, 12.21% by institutions and rest 11.7% by general public.

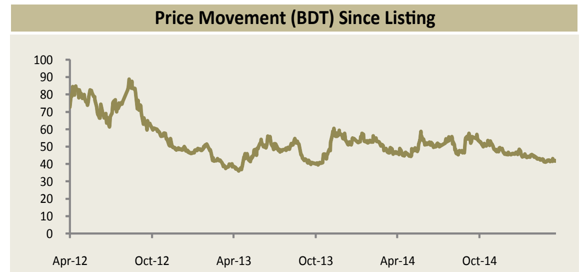
Investment Insight

- As per the company annual report 2013-14, the company has renovated their Continuous Casting Machine for Billet Plant to increase the capacity utilization. The BoD's expects that the utilization would be increased up to 80%. The company has utilized around 50% of its billet plant capacity during the year 2013-14. Moreover, the company increased its billet production capacity from 98,000 MT/annum to 168,000 MT/annum in year 2013. This plant eradicated its dependency on imported billet, reduced cost of production as well as exposure to foreign exchange risk.
- The company has subscribed 10% equity shares of GPH Steels Ltd, a newly established public limited company to be engaged in manufacturing of MS Billet and MS Rod. As per the newspaper, the company will start commercial operations by 2015. The installed capacity of the new unit will be 600,000 tonnes a year.The present paid up capital of the company is BDT 10 mn.
- GPH Ispat Ltd. is heavily exposed to leverage. In 2013-14, debt ratio stood at 56.1% High interest eats-up a significant portion of its profit. In addition, financial expenses have accounted for 54% of operating profit in year 2013-14.
- The company is exposed to foreign exchange risk in certain purchase of raw materials from abroad. Majority of the foreign currency transactions are denominated in USD and relate to procurement of raw-materials from abroad.

Company Fundamentals as of March 31, 2015	
Market Cap (BDT mn)	5,363.8
Market weight	0.17%
No. of Share Outstanding (in mn)	124.7
Free-float Shares	23.91%
Paid-up Capital (BDT mn)	1,247.4
3-month Average Turnover (BDT mn)	3.2
3-month Return	-6.7%
Current Price (BDT)	43.0
52-week price range (BDT)	40.4 - 59.2
Sector's Forward P/E	22.0

	2011-12	2012-13	2013-14	2014-15 (9M ann)
Financial Information (BDT mn):				
Sales	5,387	4,687	5,345	5,387
Operating Profit	719	712	809	719
Profit After Tax	250	279	329	250
Assets	4,865	5,847	6,430	4,865
Long Term Debt	250	280	234	250
Equity	1,814	1,931	2,000	1,814
Dividend (C/B)%	10/20	15/10	15/5	-/-
Margin:				
Gross Profit	18.5%	16.3%	18.5%	18.2%
Operating Profit	15.3%	13.3%	15.2%	15.1%
Pretax Profit	6.8%	6.3%	8.7%	9.1%
Net Profit	5.8%	4.6%	5.9%	6.2%
Growth:				
Sales	18.9%	22.8%	-13.0%	14.0%
Gross Profit	26.4%	7.7%	-1.0%	12.3%
Operating Profit	27.7%	6.9%	-1.0%	13.7%
Net Profit	54.3%	4.4%	30.1%	22.2%
Profitability:				
ROA	5.5%	5.0%	5.2%	5.4%
ROE	30.7%	14.4%	14.9%	16.8%
Leverage:				
Debt Ratio	62.8%	58.4%	56.1%	55.6%
Debt-Equity	197.5%	156.6%	169.9%	178.8%
Int. Coverage	1.8	1.9	2.2	2.4
Valuation:				
Price/Earnings	27.0	25.9	19.9	16.3
Price/BV	3.2	3.0	2.8	2.7
EPS (BDT)	1.6	1.7	2.2	2.6
NAVPS (BDT)	13.3	14.5	15.5	16.0

Price Movement (BDT) Since Listing



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, Company's share department.

ILSL RESEARCH

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

DSE: **SALAMCRST**
BLOOMBERG:**SACRS:BD**

S. Alam Cold Rolled Steels Limited

Company Overview

S. Alam Cold Rolled Steels Limited (SACRSL) was incorporated in 2000 and commenced its commercial production in 2004. The Company is involved in manufacturing and selling of high quality Cold Rolled Steels Strips (CR Strips) in the form of coils and sheets. The products of the company are C.R Coil, Baby Coil, C.R Cut Piece, Off Gauge, Trimming, GP/CI sheets etc. ensuring the backward linkage of the Steel Industries of Galvanizing, Corrugated and Automobile industry.

Sales of CR Coil remained as the core revenue source having 78.3% contribution in 2013-14. However, Sales of Scrap, CI Sheet and GP sheet contributed 11.8%,9.4%, 0.5% in the revenue during the same year.

The company's annual installed production capacity for C.R. Coil plant and NOF plant is 1,20,000 MT and 72,000 MT respectively. In 2013, the firm utilized 43.0% and 7.7% of its production capacity of C.R. Coil plant and NOF plant respectively. The firm imports its raw material from Japan, Korea, Netherlands, Romania, Russia, India, Taiwan, China etc.

As per 2014 annual report, the only subsidiary of the Company named S. Alam Power Generation Ltd. (70%) – a 17 MW captive power plant – is expected to start operation in May 2015. The primary objective of this subsidiary is to provide power supply constantly to their various projects and if there is any surplus then sell it to the National Grid. SACRSL also has 11 associate companies conducting various line of business.
The Company enlisted in DSE and CSE in 2006. Around 48.5% of shares of the company are held by Sponsors whereas 42.48% and 9.02% of shares are held by General and Institutions investors respectively.

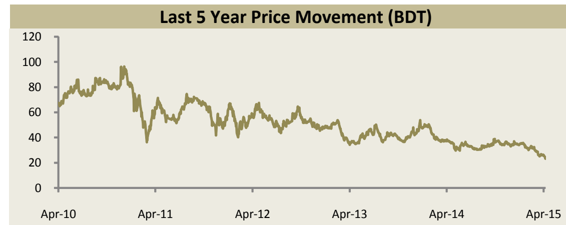
Investment Insight

- The Company will enjoy uninterrupted power supply from its subsidiary- S. Alam Power Generation Ltd. This plant will reduce the production cost of the company and increase efficiency. It is expected that the power plant will start its operation in May 2015.
- The company financed its expansion project with debt, creating high leverage and filling pinch in debt servicing.
- The Company imported its entire raw materials therefore it is exposed to foreign exchange risk.
- The capacity utilization ratio of the company dropped substantially from 71.05% in 2012-13 to 42.99% in 2013-14. This large drop depicts the lessening of the production efficiency of the company.

Company Fundamentals as of March 31, 2015	
Market Cap (BDT mn)	2,547.8
Market weight	0.1%
No. of Share Outstanding (in mn)	98.4
Free-float Shares	51.5%
Paid-up Capital (BDT mn)	983.7
3-month Average Turnover (BDT mn)	4.7
3-month Return	-26.0%
Current Price (BDT)	25.9
52-week price range (BDT)	25-42.4
Sector's Forward P/E	22

	2011-12	2012-13	2013-14	2014-15 (Q1 ann)
Financial Information (BDT mn):				
Sales	3,702	3,778	3,355	4,693
Operating Profit	656	537	398	407
Profit After Tax	335	196	95	154
Assets	10,802	10,425	13,395	15,234
Long Term Debt	250	2,049	2,135	2,092
Equity	2,097	2,148	2,116	2,154
Dividend (C/B)%	15/0	13/0	15/0	-/-
Margin:				
Gross Profit	19.2%	15.6%	13.3%	11.2%
Operating Profit	17.7%	14.2%	11.9%	8.7%
Pretax Profit	12.6%	7.2%	4.1%	4.5%
Net Profit	8.8%	5.0%	2.9%	3.3%
Growth:				
Sales	22.0%	2.0%	-11.2%	39.9%
Gross Profit	4.0%	-17.4%	-24.1%	17.9%
Operating Profit	2.1%	-18.2%	-25.9%	2.3%
Net Profit	9.4%	-41.5%	-51.3%	61.4%
Profitability:				
ROA	3.7%	1.8%	0.8%	1.1%
ROE	16.3%	9.0%	4.5%	7.2%
Leverage:				
Debt Ratio	44.5%	46.2%	48.0%	43.3%
Debt-Equity	229.5%	224.2%	303.7%	305.9%
Int. Coverage	2.8	1.8	1.5	1.8
Valuation:				
Price/Earnings	7.8	13.4	26.4	16.5
Price/BV	1.2	1.2	1.2	1.2
EPS (BDT)	3.3	1.9	1.0	1.6
NAVPS (BDT)	21.3	21.8	21.5	21.9

Last 5 Year Price Movement (BDT)



Source: Annual Reports, DSE Website, ILSL Research, Company's concerned official

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

Appollo Ispat Complex Limited

DSE: **APOLOISPAT**
BLOOMBERG: **AICL:BD**

Company Overview

AppolloIspat Complex Limited (AICL) was incorporated on December 31, 1994 and started its commercial production in 1997. The Company is engaged in manufacturing and selling of Cold Rolled Coil (C.R Coil), Galvanized Plain Sheet (G.P Sheet) and Corrugated Iron (CI Sheet) Sheet at different thickness.

As per the company annual report, annual production capacity of Cold Rolled Manufacturing (CRM) Unit is 120,000 MT of which 51.2% was utilized during the year 2013-14. Besides, the company has 60,000 MT and 80,000 MT installed production capacity of Continuous Galvanizing Line Unit-I and Unit-II consecutively.

The main raw material of AICL is H.R. Coil, which is entirely imported from abroad. Major suppliers of the raw materials are Posco and Hyundai of South Korea; Nippon and JFE of Japan and China Steel of Taiwan.

The products are mainly marketed in rural and semi-urban areas of Bangladesh under the brand name, "Rani Marka Dheutin". The company sells its products to agents/ Dealers on ex-factory basis. Institutional customers buy the products directly from the company's sales office.

AICL became listed with CSE and DSE in 2013. Presently, 32.46% shares are held by sponsors /directors, and 67.54% shares are held by general public.

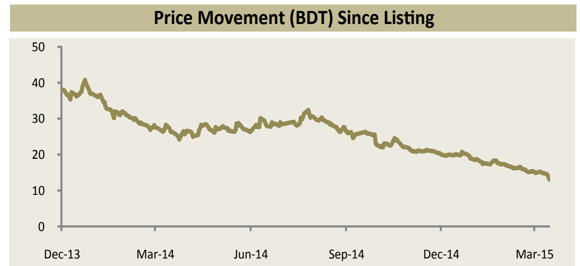
Investment Insight

- Appollo is going to start a high quality Radiant Tube Furnace- Non Oxide Furnace (RTF NOF) Galvanizing plant at its existing plant site. The company's production capacity will increase by another 60,000.00 MT with the introduction of this product line. The project is expected to go on commercial production from May 2015.
- Appollo has a plan to include the Color Coating Sheet in its existing product line. For this purpose, a modern Color Coating plant and equipment will be incorporated in future to install in the existing plant site.
- To meet the export demand, the company has a plan to install the 2nd line of CRM in future.
- Appollo intends to establish one power Generation Plant which will facilitate uninterrupted power supply at a comparatively low cost and minimize production cost. The intended size of the plan is 25 MW while the company's own requirement is 15 MW. Balance will be sold to the national grid.
- Since the core raw material- H.R. Coil, is entirely imported from abroad, unfavorable currency fluctuation will have an adverse impact on its profitability.
- The company declared to pay off its BDT 1,531 million loan out of its IPO proceeds in its IPO Prospectus, which has not been completed yet.

Company Fundamentals as of March 31, 2015	
Market Cap (BDT mn)	4,283.8
Market weight	0.1%
No. of Share Outstanding (in mn)	287.5
Free-float Shares	67.5%
Paid-up Capital (BDT mn)	2,875.0
3-month Average Turnover (BDT mn)	11.5
3-month Return	-25.5%
Current Price (BDT)	14.9
52-week price range (BDT)	14.9-33.1
Sector's Forward P/E	22

	2011	2012	2013	2014 (9M ann)
Financial Information (BDT mn):				
Sales	4,999	5,067	4,947	5,110
Operating Profit	354	362	374	402
Profit After Tax	7,358	8,059	9,892	10,441
Assets	1,358	1,250	1,422	1,623
Long Term Debt	3,416	3,779	6,353	6,554
Equity	4,999	5,067	4,947	5,110
Dividend (C/B)%	-/-	-/-	0/15	-/-
Margin:				
Gross Profit	21.2%	21.9%	20.1%	19.7%
Operating Profit	19.2%	19.8%	17.3%	17.5%
Pretax Profit	12.5%	11.6%	10.2%	10.9%
Net Profit	7.1%	7.1%	7.6%	7.9%
Growth:				
Sales	3.7%	1.4%	-2.4%	3.3%
Gross Profit	20.0%	4.7%	-10.3%	1.3%
Operating Profit	21.2%	4.8%	-15.1%	4.7%
Net Profit	25.2%	2.3%	3.1%	7.6%
Profitability:				
ROA	5.5%	4.7%	4.2%	4.0%
ROE	13.3%	10.1%	7.4%	6.2%
Leverage:				
Debt Ratio	47.2%	45.8%	29.6%	30.5%
Debt-Equity	101.6%	97.7%	46.1%	48.6%
Int. Coverage	2.7	2.4	2.2	2.4
Valuation:				
Price/Earnings	12.1	11.8	11.5	10.7
Price/BV	1.3	1.1	0.7	0.7
EPS (BDT)	1.2	1.3	1.3	1.4
NAVPS (BDT)	11.9	13.1	22.1	22.8

Price Movement (BDT) Since Listing



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research.

ILSL RESEARCH

MUTUAL FUND: MONTHLY UPDATE

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 5.04% loss over the month (**26 February - 25 March, 2015**), while the prime index of the bourse, DSEX, decreased by 5.3%. Price of 5 Mutual Funds increased, 1 Mutual Fund remain unchanged and 34 Mutual Funds decreased over the period. On the other hand, NAV @ Market Price of 2 Mutual Funds increased and 38 Mutual Funds decreased. Out of 40 Mutual Funds, 39 were traded below their respective NAV. NCC Bank Mutual Fund had the lowest Price/NAV ratio (40.2%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (138.1%). Price of 1STPRIMFMF gained 4.1% agianst increase in NAV by 0.8%.

Name of Fund	NAV Per Unit @		Price 25 Mar, 2015	Close Price/ NAV per Unit	% Change in NAV	% Change in Price	52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager
	Market Price	Cost Price								
AIMS1STMF	36	13.53	26.7	74.2%	-2.5%	-5.0%	24.7 - 45.5	4.40	30/Jun/15	AIMS
GRAMEEN1	29.66	11.74	21.9	73.8%	-2.5%	-0.5%	19.8 - 48.5	1.38	4/Sep/15	AIMS
GRAMEENS2	18.38	10.95	10.5	57.1%	-1.4%	-7.1%	9.22 - 17.9	1.52	2/Sep/23	AIMS
RELIANCE1	11.89	11.36	6.3	53.0%	-3.5%	-11.3%	5.6 - 9.6	0.91	7/Jul/21	AIMS
1STICB	1707.81	231.51	1051.9	61.6%	0.8%	-3.8%	842.1 - 1184	0.13	31/Mar/15	ICB
2NDICB	294.52	103.98	268.5	91.2%	-1.7%	-7.4%	235.7 - 329	0.01	30/Jun/15	ICB
3RDICB	355.28	72.47	225.9	63.6%	-2.9%	-8.9%	188 - 254.9	0.04	30/Sep/15	ICB
4THICB	279.09	80.68	192.8	69.1%	-3.6%	-6.0%	185.9 - 235	0.08	31/Dec/15	ICB
5THICB	239.43	62.66	180.0	75.2%	-4.1%	-0.6%	140 - 205	0.05	31/Mar/16	ICB
6THICB	57.87	27.9	57.8	99.9%	-4.6%	-0.3%	49.8 - 72.4	0.22	30/Jun/16	ICB
7THICB	103.77	39.88	81.4	78.4%	-4.4%	0.7%	80 - 105	0.08	30/Sep/16	ICB
8THICB	69.25	34.65	63.8	92.1%	-4.7%	-0.8%	53.2 - 75	0.06	31/Dec/16	ICB
1STPRIMFMF	9.27	15.87	12.8	138.1%	0.8%	4.1%	11.3 - 21.1	2.31	17/Mar/16	ICB AMCL
ICB1STNRB	22.54	33.97	19.1	84.7%	-6.9%	-6.8%	17.1 - 31.9	0.26	28/Mar/17	ICB AMCL
ICB2NDNRB	10.18	14.88	6.7	65.8%	-6.3%	-13.0%	6.3 - 11	0.54	27/Jul/18	ICB AMCL
ICB3RDNRB	7.06	11.33	4.1	58.1%	-7.6%	-4.7%	3.9 - 5.5	0.35	24/May/20	ICB AMCL
ICBAMCL2ND	7.9	13.08	4.7	59.5%	-8.0%	-4.1%	3.8 - 6.8	0.16	28/Oct/19	ICB AMCL
ICBEPMF1S1	7.56	11.72	4.3	56.9%	-6.8%	-2.3%	3.6 - 6.1	0.23	18/Jan/20	ICB AMCL
ICBSONALI1	9.37	11.04	6.1	65.1%	-4.5%	-3.2%	4.7 - 9.5	0.05	12/Jun/23	ICB AMCL
IFILISLMF1	9.33	11.36	5.9	63.2%	-4.0%	-1.7%	5 - 8	0.76	22/Nov/20	ICB AMCL
PF1STMF	7.32	11.46	4.4	60.1%	-6.3%	-13.7%	4 - 6.3	0.13	9/May/20	ICB AMCL
PRIME1ICBA	7.79	11.62	4.3	55.2%	-5.8%	-4.4%	3.7 - 6.1	0.17	2/Feb/20	ICB AMCL
AIBL1STIMF	9.81	10.8	4.4	44.9%	-3.7%	-4.3%	4 - 9	0.27	10/Jan/21	LR Global
DBH1STMF	9.44	10.8	4.1	43.4%	-5.9%	-8.9%	3.8 - 6.7	0.40	7/Feb/20	LR Global
GREENDELMF	9.67	10.49	4.2	43.4%	-5.2%	-6.7%	3.8 - 6.3	0.55	28/Sep/20	LR Global
LRGLOBMF1	9.92	10.92	4.0	40.3%	-0.2%	2.6%	3.8 - 7.1	0.27	19/Sep/21	LR Global
MBL1STMF	9.54	10.82	4.0	41.9%	-6.0%	-9.1%	3.6 - 8.9	0.49	8/Feb/21	LR Global
NCCBLMF1	9.69	10.84	3.9	40.2%	-2.0%	-4.9%	3.6 - 7.9	1.87	24/May/22	LR Global
1JANATAMF	10.71	11.2	4.6	43.0%	-1.7%	-8.0%	4.1 - 7.2	0.31	20/Sep/20	RACE
ABB1STMF	11.8	10.87	5.6	47.5%	-1.5%	-6.7%	5.3 - 7.8	0.25	29/Jan/22	RACE
EBL1STMF	9.68	11.47	4.7	48.6%	-4.1%	-7.8%	4.3 - 7.3	0.36	19/Aug/19	RACE
EBLNRBMF	10.11	10.81	4.2	41.5%	-3.0%	-6.7%	4 - 7.5	0.06	23/May/21	RACE
EXIM1STMF	10.76	10.58	6.6	61.3%	-1.6%	1.5%	5.7 - 9.3	0.00	16/Jul/23	RACE
FBFIF	10.7	10.61	6.0	56.1%	-1.7%	-1.6%	5.4 - 10	0.01	19/Mar/22	RACE
IFIC1STMF	10.39	11.1	4.3	41.4%	-3.3%	-8.5%	4 - 7.1	0.26	1/Apr/20	RACE
PHPMF1	10.14	11.45	4.3	42.4%	-2.8%	-2.3%	4 - 6.7	0.66	29/Nov/20	RACE
POPULAR1MF	10.8	11.48	4.5	41.7%	-2.0%	-4.3%	4.1 - 7.1	0.77	19/Oct/20	RACE
TRUSTB1MF	10.42	10.79	4.6	44.1%	-3.2%	-8.0%	4.4 - 8	0.99	27/Jan/20	RACE
NLI1STMF	12.67	12.52	8.4	66.3%	-0.5%	0.0%	6.7 - 9.7	0.71	27/Feb/22	VIPB
SEBL1STMF	12.21	12.08	8.2	67.2%	-1.2%	2.5%	6.6 - 9.4	0.91	23/May/21	VIPB

Source: DSE, ILSL Research

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

Mutual Fund : Monthly Update

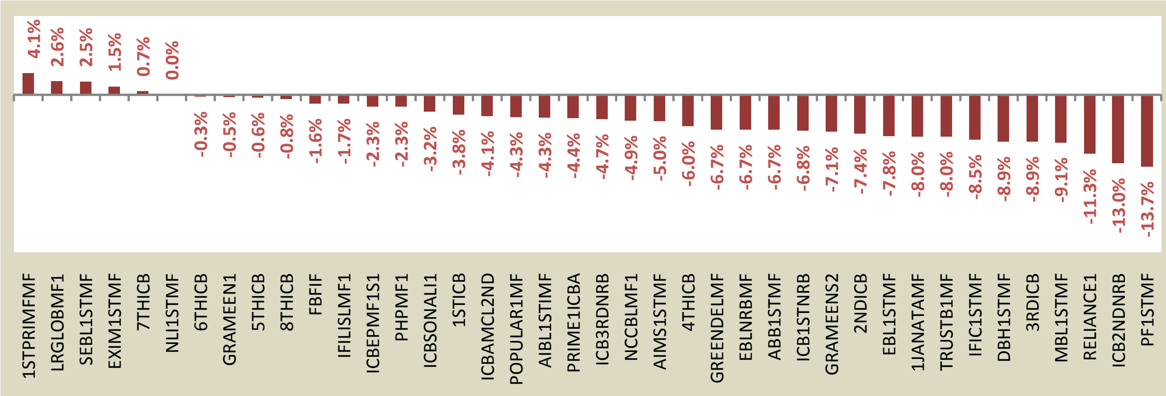
Monthly Top 10 Analysis

Highest Return	% Change in NAV
1STICB	0.8%
1STPRIMFMF	0.8%
LRGLOBMF1	-0.2%
NLI1STMF	-0.5%
SEBL1STMF	-1.2%
GRAMEENS2	-1.4%
ABB1STMF	-1.5%
EXIM1STMF	-1.6%
2NDICB	-1.7%
1JANATAMF	-1.7%

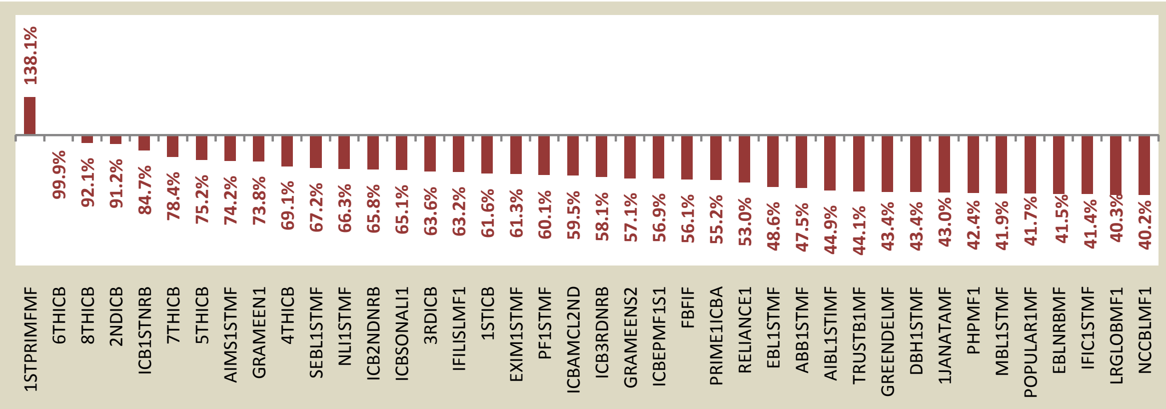
Lowest Return	% Change in NAV
ICBAMCL2ND	-8.0%
ICB3RDNRB	-7.6%
ICB1STNRB	-6.9%
ICBEPMF1S1	-6.8%
PF1STMF	-6.3%
ICB2NDNRB	-6.3%
MBL1STMF	-6.0%
DBH1STMF	-5.9%
PRIME1ICBA	-5.8%
GREENDELMF	-5.2%

Turover Leader	Avg Turnover (BDT mn)
AIMS1STMF	4.4
1STPRIMFMF	2.3
NCCBLMF1	1.9
GRAMEENS2	1.5
GRAMEEN1	1.4
TRUSTB1MF	1.0
SEBL1STMF	0.9
RELIANCE1	0.9
POPULAR1MF	0.8
IFILISLMF1	0.8

Monthly Price Return



Mutual Funds Trading at Premium/Discount



Performance of Asset Managers

Asset Manager	Assets Under Management (AUM) (BDT mn)	% of Total AUM	Monthly Return on Portfolio	NAV @ Market Price/ Cost Price	Paid-Up Capital (BDT in mn)
AIMS	6,847	13.6%	-2.1%	1.88	3,140
ICB	3,369	6.7%	-2.1%	3.72	178
ICB AMCL	6,185	12.3%	-6.0%	0.69	7,150
LR Global	8,656	17.2%	-3.5%	0.90	8,896
RACE	23,509	46.6%	-2.3%	0.97	22,181
VIPB	1,856	3.7%	-1.0%	1.01	1,501

Source: DSE, ILSL Research

I L S L R E S E A R C H

IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

Business Newsflash

Economy

Remittance tops USD 9.9 bn in 8 months
New Age, March 04, 2015

The country's inward remittance increased by 7.62% to USD 9.90 bn in the first eight months of the current financial year 2014-15 from USD 9.20 bn in the corresponding period of the FY14. The inward remittance had increased steadily in the first half of the FY15 due to an eased political situation, but failed to maintain the momentum since January. The inward remittances increased to USD 1.178 bn in February this year from USD 1.173 bn in the same month of 2014 while the remittance decreased to USD 1.24 bn in January this year from USD 1.26 bn in the corresponding month a year ago.

Gold prices slip
The Daily Star, March 11, 2015

Gold prices have dropped 3.24% since January 22 due to a decline in domestic demand for jewellery and the value of the precious metal in the global market. The metal is now retailing at BDT 44,506 a bhori, a price level it has reached twice since April 2013. Jewellers cut the prices of 22-karat gold by BDT 1,492.48 a bhori (11.66 grams), effective from today. The price of 21-karat and 18-karat gold dropped by BDT 1,493, and traditional gold by BDT 1,457 a bhori Annual demand for gold jewellery in Bangladesh fell to 16 tonnes in 2014 from 45-50 tonnes in 2004. The annual market for gold jewellery is worth around BDT 7,000 crore in Bangladesh. In the international market, gold prices recently declined by around USD 40 an ounce (31.1 grams). Goldman Sachs now predicts that gold will extend its slide and head toward USD 1,050 an ounce.

ADP cut by 6.62%
Dhaka Tribune, March 11, 2015

A 6.62% budgetary reduction has been made in the revised annual development spending for the current fiscal year with the allocation cutting to BDT 75,000 crore from BDT 80,315 crore. Analysts say the revised target was traditionally ambitious and this huge reduction might bring negative impact on gross domestic product which was set at 7.3% in the fiscal. Planning Commission proposed a BDT 72,000 crore as revised ADP from the original allocation. However, Prime Minister provided additional BDT 3,000 crore. With this additional amount, the final revised ADP now stands at BDT 75,000 crore. According to the Implementation Monitoring and Evaluation Division (IMED), the government implementing agencies have spent only BDT 30,898 crore out of original ADP of BDT 80,315 crore.

Study: Bangladesh to be 23rd largest economy by 2050
Dhaka Tribune, March 16, 2015

Bangladesh is projected to become 23rd biggest economy in the world in next 35 years, joining for the first time a list of newly emerging and established emerging economies according to the study of PwC, a UK-based global consulting firm. The country, now in 31st in the ranking, is seen to move up to 29th by 2030 and could grow at an average annual rate of over 5%. **Gross domestic product at purchasing power parity (PPP) terms is expected to stand at USD 1,291 bn by 2030 and USD 3,367 bn by 2050 from USD 536 bn now.** According to it, Bangladesh is among eight newly emerging economies to be included in the latest update of its "World in 2050" report for indicating signs of sustained rapid growth in the long term. The other new entrants are the Philippines, Colombia, Egypt, Iran, the Netherlands,

International

Negative bond yields push Euro down to 12-year low
Bdnew24.com, March 11, 2015

The euro extended its unrelenting fall on Wednesday, dropping 1% to below USD1.06 for the first time in 12 years as the European Central Bank's 1.1 trillion bond-buying program hammered the region's bond yields to record negative levels. **The single currency EUR= has declined 12% since January and is about 5.6% away from reaching parity against the greenback,** Reuters data showed.The euro was broadly lower against other major currencies. It struck a seven-year low against sterling at 70.145 pence and an 18-month low of 128.29 yen. The ECB on Monday began buying sovereign bonds to try to boost growth and inflation in the eurozone, sending yields on the debt of nearly all its countries to record lows and driving investors away from the euro.

IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

IMF, ADB add to supporters for Asian investment bank

At least 35 countries to join the bank: interim chief

New Age, March 23, 2015

China received critical support from the International Monetary Forum and Asian Development Bank on Sunday for its goal of establishing a new Chinese-led multilateral lender, adding to a growing wave of endorsements that has worried the United States. Leaders of the IMF and ADB said they were in talks with or happy to cooperate with the Asian Infrastructure Investment Bank (AIIB), a USD50 bn lender to be majority funded by China that is seen by some as a rival to these established international financial institutions. The United States, concerned about China's growing diplomatic clout, has urged countries to think twice about signing up and questioned whether the AIIB will have sufficient standards of governance and environmental and social safeguards. Some 27 countries have already signed up to participate in the AIIB, China's finance minister Lou Jiwei told China National Radio on Saturday. The bank's interim chief, Jin Liqun, on Sunday said at least 35 countries will join the bank by the deadline of March 31. Currently, India, Indonesia and New Zealand have expressed interest in joining the bank, he told a conference in Beijing, following a request by Britain, France, Italy and Luxembourg to become founding members.

Stock Market

ICB distributes BDT 67 crore more among affected investors

New Age, March 08, 2015

The Investment Corporation of Bangladesh distributed BDT 367.46 crore among 12,753 affected small-scale investors as of February 28 against the government's release of BDT 600 crore under the BDT 900 crore refinance scheme. The small-scale investors were affected by the capital market crash in 2010-2011. Bangladesh Bank by the mid-January released the second tranche of capital market refinance scheme, BDT 300 crore, after the ICB had disbursed BDT 299.82 crore among around 11,000 affected investors from the first tranche. The BB in August 2013 released BDT 300 crore, the first tranche of the refinance scheme, to the ICB.

Bank

Lending rate hits four-year low

Dhaka Tribune, March 03, 2015

The lending rate in the banking sector hit four-year low in January thanks to Bangladesh Bank that had earlier warned the commercial banks to cut the interest rate on loans and advances for reducing the interest rate spread within a desired level of 5%. The weighted average lending rate stood at 12.32% in January this year. The rate was earlier 11.34% in 2010. The interest rate spread – the gap between advance and deposit rates – came down to a 10-month low in January, due to the lending rate cut by the banks. The spread stood at 5.06% in January, which went up to 5.21%, hitting a five-month's high, in December last year.

Fuel and Power

Summit to supply 165MW electricity this year

The Daily Star, March 24, 2015

Summit Group is set to supply 165 megawatts of electricity to the national grid from later this year. The electricity will be supplied from two sources - a 110MW power plant in Barisal and another 55MW one in Narayanganj -the construction work for which is going on in full steam. So much that Summit Group expects the two plants to go into production in December, ahead of the timescale agreed with the Power Development Board. The loan, which carries an interest rate of 4.5%, will be used to help 335MW Summit Meghnaghat power plant and 341MW Summit Bibiyana II plant go for commercial production.

Textile

Denim exporter sees robust growth ahead

The Daily Star, March 25, 2015

Bangladesh is becoming a major source of denim products as international retailers prefer the country to other destinations for its low prices. Bangladeshi manufacturers are also increasing their production capacities because of the higher demand from foreign customers. Currently, 25 denim factories are in operations in Bangladesh. Five new companies -- Square, Thermax, Zaber & Zubair, Bashundhara and Fakir -- have also set up factories to join the ranks. **Among the global players in the USD60 bn denim market, Bangladesh lags behind China, the US, Italy and some Latin American countries with an 11.3% market share.** A shift in work orders from China to Bangladesh is a major reason for the growth of denim here. Bangladesh exports denim products worth more than USD500 mn to Europe a year.

Cotton consumption to soar on rising garment exports
The Daily Star, March 22, 2015

The garment exporters are looking to hit the USD50 bn-mark by the end of 2021, meaning more raw materials will be needed. **At present, Bangladesh is the second largest cotton importer after China, sourcing in the vital raw material from the US, India, Uzbekistan and a host of African countries.** Cotton import registered 8% growth to 5.6 mn bales in fiscal 2013-14 and 6% the previous year. Currently, the local spinners and weavers have the capacity to consume 10 mn bales of cotton, but they are unable to go into full production due to inadequate supply of gas and power
to industrial units. Yet, the 400 local spinners can supply 90% of the demand for raw materials for the

Cement

Holcim, Lafarge revise terms to get merger back on track
New Age, March 22, 2015

Switzerland's Holcim and France's Lafarge have agreed new terms for their plan to create the world's biggest cement company, giving unhappy shareholders in the Swiss firm a better deal. While the merger is back on track after a rocky few weeks, the two firms have yet to agree who will run the combined entity with annual sales of more than 30 bn euros (USD32 bn). After days of intense negotiations, the two agreed Lafarge shareholders would now receive nine Holcim shares for every 10 shares in the French company, rather than the one-for-one ratio agreed when the deal was unveiled in April last year. The companies also agreed that Lafarge boss Bruno Lafont would no longer become chief executive and instead take on the role of non-executive co-chairman, alongside Holcim's chairman. Holcim shares rose 1.3% to 76.75 Swiss francs and Lafarge stock was up 3.1% at 64.20 euros at 1020 GMT after the revised deal was announced. The new share-swap ratio means Holcim shareholders would own 55.6% of the new group, up from 53% previously, and the deal is now expected to close in July rather than June.

Ceramic

RAK Ceramics to write off BDT 58crore given to RAK Pharma
New Age, March 01, 2015

RAK Ceramics Bangladesh Limited, a company listed with the stock market, has decided to write-off loans and interests worth BDT 58.86 crore given to one of its associated entities, RAK Pharmaceuticals. The board of directors decided to settle the long outstanding loans given by the company to RAK Pharmaceuticals totaling. BDT 83.46 crore by taking only BDT 4.41 crore in cash and corporate office of RAK Pharmaceuticals worth BDT 20.18 crore. The board decided to write off the balance irrecoverable loan of BDT 25.39 crore and unrealised interest of BDT 33.46 crore totaling BDT 588,649,468 as investment loss and interest loss on investment respectively in the 'interest of the business of the company.

BSRM goes for modernization, invests BDT 7 bn
The Financial Express, March 23, 2015

BSRM Steel Re-rolling Mills looks to double its production by transforming the old unit at Nasirabad into a new one soon to cater to the growing local demand for steel. The transformation has already been completed with setting up of completely new machinery and the new plant is going to produce quality steel by the end of this June. BSRM (Bangladesh Steel Re-rolling Mills) has invested around BDT 7.0 bn in the Nasirabad factory. Out of the amount, BDT 6.0 bn has been spent for import of modern and sophisticated machinery. About 800 people will get jobs at the factory. The BSRM's current annual production capacity is about .80 mn tonnes which will stand at around 1.5 mn tonnes by the middle of next calendar year.

Pharmaceutical

Pharma makers on global buyers' radar
The Financial Express, March 22, 2015

Global buyers are increasingly sourcing Bangladeshi medicines, encouraged by better quality and competitive price range. Driven by growing demand, especially from the European Union (EU), has prompted local drug makers to expand capacity.

IL CAPITAL LIMITED
YOUR INVESTMENT MANAGER

According to the sector players, local manufacturers have been exporting their hi-tech pharmaceutical product including HFA, inhalers, suppositories, hormones, steroids, oncology, immunosuppressant products, nasal sprays, injectibles and IV infusions. Bangladesh has been exporting medicines to 110 countries around the world including the UK, Denmark, the Netherlands, Hong Kong, Malaysia, Sri Lanka, Vietnam, Ivory Coast and Uganda. **The country's domestic market size is BDT 150 bn and the local manufacturers are providing 97% of the total medicine requirement.** The Export Promotion Bureau (EPB) data shows the country's income from export of pharmaceutical products was USD 47.06 mn in eight months of the current fiscal year and this fiscal's target is set at USD69.24 mn.

Service

WMS to build another inland container ship
The Financial Express, March 1, 2015

Western Marine Shipyard has signed a contract for building a container vessel for Bancan Shipping Ltd. The ship will carry 176 TEUs of containers from Chittagong Port to the newly-developed Pangaon Inland Container Terminal (PICT) in Narayanganj. Western Marine signed contracts for 10 container vessels earlier for different companies which will serve pangaon.

Leather

Shining future for Bangladesh leather sector as China shifts focus
Bdnews24.com, March 9, 2015

Bangladeshi manufacturers are seeing bright prospects for the leather sector after the readymade garment industry because of a policy change in China, the world's largest economy. They expect Bangladesh to be an attractive destination for leather sector entrepreneurs as China, the world's largest footwear manufacturer, is shifting focus away from this sector. **The manufacturers believe Bangladesh's annual USD550-mn footwear industry may grow to a USD15-bn sector within a few years, if the opportunity is seized.** Bangladesh earned USD 1.29 bn from exports of leather, leather goods and footwear in the 2013-14 fiscal. The amount accounts for 4.2% of the country's total exports.

Bangladesh has maintained the growth in the export of leather and leather goods in the current 2014-15 and in the first eight months of the FY, the country posted a 7% growth in leather goods exports and 22.16% in footwear exports.

Note: Business Newsflash is a collection of news published in the top daily newspapers like The Daily Star, The Financial Express, The NewAge and Dhaka Tribune. IL Capital is not responsible for any discrepancy in the information provided in the news.

Editorial Panel

Nehal Ahmed FCA	Managing Director, IL Capital	nehal@ilfsl.com
Saad Faisal	Chief Operating Officer, IL Capital	saad@il-capital.com
Md. Humayan Kabir, FCA	Chief Operating Officer, ILSL	humayan@ilslbd.com

IL Capital Research Team

Nurul Hai	Head of Investment and Corporate Advisory	nurul@il-capital.com
Md. Mustafa Kamal	Assistant Manager	mustafa@il-capital.com
Shama Rahman	Senior Executive	shama@il-capital.com
Shohidul Islam	Senior Executive	shohidul@il-capital.com

ILSL Research Team

Rezwana Nasreen	Head of Research	rezwana@ilslbd.com
Towhidul Islam	Research Analyst	tislam@ilslbd.com
Md. Tanvir Islam	Research Analyst	tanvir@ilslbd.com
Mohammad Asrarul Haque	Jr. Research Analyst	asrarul@ilslbd.com

International Leasing Securities Limited started its journey to provide diversified services to a wide range of customers.

International Leasing Securities Limited offers full-fledged high standard brokerage service with margin loan facility. It is also a full service Depository Participant (DP) of Central Depository Bangladesh Ltd. (CDBL). The brokerage service is designed to provide customers with necessary support in the stock market.

ILSL is dedicated to provide high level of professional and personalized services to its domestic and international customers. ILSL services are comprehensive in nature, including brokerage, margin loan, CDBL facilities, and research.

Value for our clients

We have formed a dedicated and professionally qualified research team so that our clients can have proper understanding of market dynamics and take informed investment decision.

To meet the objective we deliver plenty of enriched products and services to our clients. Our research coverage includes but not limited to listed company analysis, sector analysis and economy analysis of Bangladesh.

Currently our research basket has:

- Daily Market Update: Clients can get information on market movement along with clarifications on overall market pulse.
- Equity Note: Provide brief company insights based on fundamental analysis
- Valuation Report: Deliver extended fundamental analysis on particular stock
- IPO Note: Cover information regarding respective upcoming issue
- Performance of mutual fund: Contain information about NAV of all Mutual Funds with comparison of previous week.
- Corporate declaration: Includes information related to listed company (from DSE Website)
- Monthly Publication: Comprises of economic update, market update, overview on any particular sector and snapshot over few stocks under the covered industry and business news
- Macroeconomics Update: Offer review on Monetary Policy Statement (MPS), Budget etc.

INTERNATIONAL LEASING SECURITIES LIMITED
YOUR MONEY MANAGER

YOUR MONEY MANAGER