

# **ALLIANCE HOLDINGS LIMITED**

(If there is any contrary information please communicate with DSE through email: [listing@dsebd.org](mailto:listing@dsebd.org))

## **Disclaimer:**

The contents of this presentation are entirely based on disclosures made by the company. Therefore, DSE does not assume any responsibility on the authenticity of the facts and figures presented thereof.

## **Brief Overview of the Company**

1. Date of Incorporation : 20<sup>th</sup> May, 1998
2. Date of Commercial operation : 20<sup>th</sup> May, 1998
3. Date of Conversion into Public Limited Company : 28<sup>th</sup> December, 2009
4. Authorized Capital : Tk. 2,000 mn
5. Paid up Capital (Pre-IPO) : Tk. 1,000 mn

## **Details of the Issue**

<b>Description</b>	<b>Ordinary Shares</b>	<b>Face Value In Taka</b>	<b>Indicative Price</b>	<b>Capital in Taka</b>
Public Offering	35,000,000	10	98	350,000,000
<b>Total Issue</b>	35,000,000	10		350,000,000

## **History of Paid up Capital**

<b>Year</b>	<b>Issued, Subscribed and Paid-up Capital (M. Tk.)</b>	<b>Rate of Increase</b>
31.12.2005	100.00	-
31.12.2006	100.00	-
31.12.2007	100.00	-
31.12.2008	130.90	30.90%
31.12.2009	132.40	1.15%
29.03.2010	1,000.00	655.29%

### **Paid up Capital after IPO**

<b>Particulars</b>	<b>Ordinary Shares</b>	<b>Face Value (Tk.)</b>	<b>Indicative Price</b>	<b>Capital in Taka</b>
Pre-IPO Paid up capital As on 31/12/2009	13,240,000	10	-	132,400,000
Bonus Share issue as on 29/03/2010	86,760,000	10	-	867,600,000
IPO	35,000,000	10	98	350,000,000
<b>Paid up capital after IPO</b>	<b>135,000,000</b>	10		<b><u>1,350,000,000</u></b>

**Issue Manager : Alliance Financial Services Limited**

**Auditor : Saha Mazumder & Co.**

### **Company at a glance**

#### **DESCRIPTION OF BUSINESS**

Alliance Holdings Limited (AHL) was incorporated in 1998. Structured as a holding company, AHL has interests in various sectors in Bangladesh, which consists of owning and operating Container Terminals (Off-dock), Design and Manufacturing of Pre-Engineered Steel buildings, Beverage Production, Financial Institution, Real Estate development, Textile and Dairy sector.

Continuous growth of any country is dependent on the existence of sound and efficient infrastructure. Keeping this in mind AHL has plans to help improve the existing infrastructure of the country by investing in power generation, telecommunications, hospitality services industries, ship building, etc.

As on 31 December 2009, the company has investments of Tk.966.86 Million in 15 companies consisting of 1 (one) subsidiary, 9 (nine) associates, 4 (four) affiliates and sponsor shareholding in a leading Financial Institution. Among them 3 are listed with stock exchanges, 2 are joint ventures, 4 are export oriented.

#### **Nature of business**

AHL has investments in various companies across different sectors in Bangladesh. The diverse portfolio helps Alliance to mitigate shareholder risks. The Company's income consists of dividend earnings from its investments and capital gains from its assets.



## Use of IPO proceeds and stages of utilization

The proceeds from the IPO will be used to increase investments in the existing subsidiaries, associates & other affiliates and also to invest in start-up companies that have the capability to grow and generate adequate returns in the long run.

## Associate, subsidiary/related holding company

AHL has the following subsidiary, associates and affiliates:

Sl. No.	Name of the Company	Relationship	Shareholding (%)	Nature of the Company's Business
1	Global Beverage Company Limited	Subsidiary	88.00%	Carbonated Soft Drinks
2	Alliance Properties Limited	Associate	50.00%	Land Development & Construction
3	Ejab Alliance Limited	Associate	50.00%	Dairy Product Procurement & Sales
4	Nekan Alliance PEB Limited	Associate	50.00%	Pre-fabricated engineering building construction and sales
5	PEB Steel Alliance Limited	Associate	46.75%	Design, Fabrication and Erection of pre-engineered steel buildings & sales
6	Alliance Media Limited	Associate	33.00%	Feature & Documentary Films Production
7	Ispahani Summit Alliance Terminal Limited	Associate	30.00%	Proposed Off-Dock Facility
8	Summit Alliance Port Limited	Associate	29.95%	Off-Dock Services
9	Union Accessories Limited	Associate	27.50%	Computerized woven label manufacturing
10	Alliance Knit Composite Limited	Associate	20.00%	100% export oriented knitwear industries
11	Rabab Fashion Industries Limited	Affiliate	15.00%	100% export oriented knitwear industries
12	Rabab Washing Industries Limited	Affiliate	15.00%	In-house Washing Plant
13	Alliance TG-Supply Limited	Affiliate	10.00%	E-commerce & IT enabled services
14	Industrial Promotion & Development Limited (IPDC)	Sponsor Shareholder	2.00%	Financial Institution
15	Ocean Containers Limited	Affiliate	0.0000063%	Off-Dock Services

## DESCRIPTION OF PROPERTY

Alliance Holdings Limited owns various categories of fixed assets, the list of which is provided below together with the Written down Values (WDV):

**Tk. In mn**

<b>Sl. No</b>	<b>Classes of Property, Plant and Equipment</b>	<b>WDV at 31-12-2009</b>
1	Land and Land Development	5.97
2	Building	3.38
3	Motor Vehicle	0.10
4	Office Equipment	0.35
5	Furniture & Fixtures	0.32
6	Electrical Equipment	0.13
7	Office Decoration	0.18
8	Building Renovation	0.02
	<b>Total</b>	<b><u>10.44</u></b>

**Transaction with subsidiary/holding company or associate companies**

Alliance Holdings Ltd. is a holding company and the following is the summary of transactions with the subsidiary and associated companies of the company:

<b>Sl. No.</b>	<b>Company</b>	<b>Relation</b>	<b>Nature of transaction</b>	<b>Balance as on 31 December</b>		
				<b>2007</b>	<b>2008</b>	<b>2009</b>
1	Global Beverage Co. Ltd.	Subsidiary	Loans	-	(82,042,994)	(49,987,534)
2	PEB Steel Alliance Ltd.	Associate	Loan & advances	-	-	24,335,649
			Share Money deposit & Loan	-	78,217,053	-
3	Summit Alliance Port Ltd.	Associate	Loan & advances	-	-	9,977,141
4	Ejab Alliance Ltd.	Associate	Loan & advances	-	356,400	856,400
5	Nekan Alliance PEB Ltd.	Associate	Loan & advances	-	-	16,400,000
6	Alliance Media Ltd.	Associate	Loan & advances	-	-	23,950
7	Alliance Properties Ltd.	Associate	Loan	(19,020,000)	(19,020,000)	-
8	Ocean Containers Ltd.	Investment in Others Company	Loan	-	(64,453,125)	-
9	Alliance TG-Supply	Investment in Others	Loan & advances	-	6,445,761	6,434,667

	Ltd.	Company				
10	Rabab Fashion Ind. Ltd.	Investment in Others Company	Loan & advances	-	-	3,808,334

## DIRECTORS AND OFFICERS

### Information regarding directorship

SI No.	Name of Director	Position
1	Mr. Syed Ali Jowher Rizvi	Chairman
2	Mr. Syed Yasser Haider Rizvi	MD
3	Mr. Syed Nasser Haider Rizvi	Director
4	Mrs. Sobera Ahmed Rizvi	Director
5	Capt. Syed Ali Asghar Rizvi	Director
6	Mr. Syed Ali Haider Rizvi	Director
7	Mrs. Zain Bari Rizvi	Director

### Ownership of the company's securities as on 31 December 2009

#### Shares held by Directors

SI. No	Name of the Shareholders	Status	No of Shares issued	Share holding Position
1	Mr. Syed Ali Jowher Rizvi	Chairman	5,590,000	42.22%
2	Mr. Syed Yasser Haider Rizvi	Managing Director	2,500,000	18.88%
3	Mr. Syed Nasser Haider Rizvi	Director	2,500,000	18.88%
4	Mrs. Sobera Ahmed Rizvi	Director	2,500,000	18.88%
5	Mr. Syed Ali Asghar Rizvi	Director	50,000	0.38%
6	Mr. Syed Ali Haider Rizvi	Director	50,000	0.38%
7	Mrs. Zain Bari Rizvi	Director	50,000	0.38%
	<b>Total</b>		<b>13,240,000</b>	<b>100%</b>

## Performance at a Glance:

Tk. in million

Particulars	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Total Revenue	2.08	3.22	14.25	18.99	787.28
<i>Growth</i>	-	54.88%	342.52%	33.28%	4044.75%
Operational Expenses	0.89	0.62	8.07	9.88	12.27
<i>Growth</i>	-	-29.54%	1191.98%	22.46%	24.22%
Profit from Operational Activities	1.19	2.60	6.18	9.11	775.00
<i>Growth</i>	-	117.59%	138.18%	47.39%	8403.25%
Administrative Expense	1.62	2.07	0.70	1.53	6.50
<i>Growth</i>	-	27.71%	-66.16%	119.08%	323.71%
Profit before Interest & Tax	(0.43)	0.53	5.48	7.58	768.50
<i>Growth</i>	-	-223.28%	940.93%	38.24%	10038.75%
Financial Expense	-	0.30	3.74	4.00	1.52
<i>Growth</i>			1160.02%	6.99%	-62.07%
Profit Before Tax	(0.43)	0.23	1.74	3.58	769.63
<i>Growth</i>		-153.84%	658.35%	105.18%	21400.35%
Net Profit	(0.43)	0.14	1.09	2.79	768.72
<i>Growth</i>		-132.30%	689.95%	155.51%	27491.70%
Total Assets	140.90	179.32	155.82	420.73	1,111.22
<i>Growth</i>		27.27%	-13.11%	170.01%	164.12%
Net Assets	127.06	127.20	128.29	249.93	1,035.96
<i>Growth</i>		0.11%	0.86%	94.82%	314.50%
NAV per share	127.06	127.20	128.29	19.09	78.24
<i>Growth</i>		0.11%	0.86%	-85.12%	309.80%
EPS	(0.43)	0.14	1.09	0.21	58.06
<i>Growth</i>		-132.10%	689.95%	-80.48%	27179.11%
EPS (restated )	(0.0043)	0.0014	0.0109	0.0279	7.6872
<i>Growth</i>		-132.30%	689.95%	155.51%	27491.70%
Capital Gain	-	-	-	4.69	763.86
EPS (Excluding Capital Gain )	-	-	-	-0.02	0.05

## TANGIBLE ASSETS PER SHARE

(As on 31 December 2009)

Sl. No.	Particulars	Amount in Taka
1.	Share Capital	132,400,000
2.	Reserve Fund	67,009,227
3.	Share Money deposit	67,660,686
4.	Profit and Loss Account	768,891,141
5.	<b>Total Tangible Asset</b>	<b>1,035,961,054</b>
6.	<b>Number of Ordinary Shares</b>	<b>13,240,000</b>
7.	<b>Net Tangible Assets Value per share</b>	<b>78.24</b>

## DETERMINATION OF OFFERING PRICE

The Issue Price of the shares of AHL will be determined on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Tk. 10/- and proposed Issue Price is Tk. 98/- where premium is Tk. 88.00. Investors should read the following summary on pricing, the risk factors, the details about AHL and its financial statements included in this Draft Prospectus. The trading price of the Equity Shares of the company may decline due to these risk factors and the value of the investments may also decline.

### Indicative Price for Book Building Purpose

Indicative price of AHL is fixed at Tk 98/- for an ordinary share of Tk 10/-. Calculations are detailed below:

### **Method 1: Share price on Net Asset Value (NAV) as at 31 December 2009**

Sl. No.	Particulars	Amount in Taka
1.	Share Capital	132,400,000
2.	Reserve Fund	67,009,227
3.	Share Money deposit	67,660,686
4.	Profit and Loss Account	768,891,141
5.	Net Asset ( as per 31 December 2009 accounts)	1,035,961,054
6.	Current Market Price of Investment**	4,135,329,161
7.	Net Asset based on Market Price of Investment	5,171,290,215
8.	<b>Number of Ordinary Shares</b>	<b>100,000,000</b>



9.	<b>Net Assets Value per Share-diluted</b>	<b>51.71</b>
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Net Asset value in the years 2005 to 2009 were Tk. 12.7, Tk. 12.7, Tk. 12.8, Tk.19.1 and Tk. 78.2 respectively, which shows a positive growth over the years. Increasing trend of investments reflects that AHL has been consistently investing in fixed assets/long term investments, which is very important to maintain profit growth in a volatile business environment. The NAV in the year 2009 was very high at Tk. 78.2 but the diluted NAV stands at Tk.10.36 due to increase in share capital from Tk.132.4 million to Tk.1.0 billion.

AHL's investment includes 2,632,291 shares of Summit Alliance Port Limited (SAPL) that was shown at cost price in the audited financial statements as on 31 December 2009 while shares are quoted at 23 times in the capital market. Being a significant gain, the company considers it fair to include the premium to determine market value of the shares of SAPL. Accordingly, in calculating Net asset value, average market price of the shares is considered to avoid the effect of market imperfection to the maximum extent possible. Detailed calculations are as under:

<b>Date</b>	<b>Closing Market Value (Tk.)</b>
Trading Starts on 16 October ,08	879.25
October, 08	872.75
November, 08	615.50
December, 08	876.25
January,09	967.75
February, 09	1,066.50
March, 09	1,931.00
April, 09	1,825.75
May, 09	2,189.25
June, 09	2,082.25
July, 09	1,940.75
August, 09	2,247.75
September, 09	2,187.50
October, 09	2,102.25
November, 09	2,260.75
December, 09	1,899.50
<b>Average Market Price</b>	<b>1,671.00</b>

**Market Value of SAPL shares**

**Tk. 4,398,558,261**

**Less: Face Value (Shown in Accounts)**

**Tk. 263,229,100**

**Realizable gain on Investment**

**Tk. 4,135,329,161 \*\***

**Method 2: Earning-based-value per share**

Earning based valuation methodologies are more appropriate for any matured company. AHL have already proved their market potentiality, strength of company's asset and as well as growth of market share.

The following is the calculation of five-year historical average earning per Share (EPS) as of 31 December 2009

<b>Year</b>	<b>Net Profit After Tax (Tk.)</b>
December, 2009	768,718,062
December, 2008	2,786,048
December, 2007	1,090,379
December, 2006	138,031
December, 2005	(427,295)
<b>Average of Net Profit</b>	<b>154,461,045.00</b>
No. of Shares	100,000,000
<b>Average EPS</b>	<b>1.545</b>

Average price to earnings ratio (P/E) for all companies listed with DSE during the same five-year period from 2005-2009 was Tk.17.32, as illustrated in the calculation below:

<b>Market P/E (month end)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
January	16.94	13.26	16.29	23.36	17.24
February	16.81	12.73	16.28	23.48	16.78
March	17.54	13.27	15.67	23.07	15.55
April	13.97	12.73	15.03	23.94	16.31
May	15.43	11.06	16.4	24.75	15.96
June	15.51	10.66	17.28	22.8	18.44
July	13.32	11.37	18.95	19.78	17.53
August	14.11	13.32	19.87	19.96	17.5
September	14.36	13.78	19.79	20.65	18.21
October	14.24	13.25	22.7	18.72	20.38

November	14.03	13.6	23.29	17.06	25
December	13.85	14.51	23.58	18.42	25.65
Total	180.11	153.54	225.13	255.99	224.55
Annual average	15.01	12.80	18.76	21.33	18.71
<b>5 years average</b>					<b>17.32</b>

Source: DSE monthly Review as on 31 December 2009

An implied offer price, based on five-years average Dhaka stock Exchange P/E ratio of 17.32 X average EPS of AHL.

Offer price = Five years historical EPS X DSE P/E ratio

= Tk.26.76 per share

### Method 3: Projected Earnings per Share

Another valuation methodology is to determine the share price based on projected earnings per share. The projection included herein has been prepared solely by the issuer and are based on a variety of assumptions and predictions, past performance and future trends. These projections are forward-looking statements that involve inherent risks and uncertainties. A number of factors, including without limitation, change of market condition, regulatory policy, economic environment, political developments and regional and global economic events or circumstances including relating to us specifically, could cause actual results or outcomes relating to us to differ materially from those set forth in these projections.

For the pricing of the public offering, they have considered future business performance and its possible effect on financial performance. The following are the indicators to justify the offering price.

Particulars	31-12-2010 Taka	31-12-2011 Taka	31-12-2012 Taka
Revenue	566,716,692	619,793,245	680,191,692
Less: Operating Expenses	13,500,366	14,850,403	16,335,443
Profit from operational activities	553,216,326	604,942,843	663,856,249
Less: Administrative expenses	6,800,000	7,100,000	7,500,000
Profit/ (Loss) before Interest & Tax	546,416,326	597,842,843	656,356,249
Less: Financial expenses	1,417,393	517,393	217,393
Profit/(Loss) before Taxes	544,998,932	597,325,450	656,138,856
Less: Provision for Tax	4,912,286	15,330,090	15,070,271
Profit/(Loss) After Tax	540,086,646	581,995,360	641,068,585
<b>EPS</b>	<b>4.15</b>	<b>4.48</b>	<b>4.93</b>

<b>Average Projected EPS</b>	<b>4.52</b>
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The above table is an extract from prospective financial information on which the auditor have reported as follows-

The average price to earnings ratio (P/E) for all companies listed on the Dhaka Stock Exchange during last 12 months (January 2009 to December 2009) was, 18.71 as shown in the above table.

An implied offer price, based on last 12 months' average P/E of DSE (18.71) and average projected EPS of AHL ( Tk. 4.52), stands at **Tk. 84.60** i.e. DSE P/E ratio X average projected EPS.

#### **Method 4: Valuation with reference to average market price of similar stocks**

Based on average P/E ratio of similar companies, the price stands at **Tk 242.79** per share.

Offer price=Diluted EPS of AHL as on 31 December 2009 X Average P/E ratio of similar company.

Note: Diluted EPS has been used to calculate offer price under Valuation with reference to average market price of similar stocks method. This is just a conservative process, where pricing will be more practical and justified.

#### **AVERAGE PRICE/BOOK VALUE**

Following steps have been adopted to find out the representative Price/Earning (P/E) for valuation of AHL:

1. They have analyzed the distribution of P/BV multiples of the companies listed with Bangladesh stock exchange(s) categorized under different pertinent parameters. A company may appear in more than one category if it qualifies to be included in those categories.
2. They have considered only manufacturing and marketing companies in each category to make the comparison more relevant.
3. In order to remove the impact of regular price variations they have considered six months' average price of the comparables in determination of their P/E multiples covering a period of 1 July, 2009 to 31 December, 2009. The price of the comparables at Dhaka Stock Exchange is used for the purpose
4. During the calculation of P/E, they have considered only the companies listed with Dhaka Stock Exchange having positive Price Earning.
5. Finally, the representative P/E multiple is determined by calculating the weighted average P/E ratio of the average P/E multiples of each category of comparables.

#### **A. AVERAGE P/E RATIO OF THE RELATED COMPANIES**

<b>Company Name</b>	<b>6- Month Avg. Market Price (Tk.)</b>	<b>EPS (Tk.)</b>	<b>P/E</b>
Beximco	296.30	11.11	26.67
ACI Limited	440.40	48.08	9.16

<b>Average</b>	<b>17.91</b>
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The Equity of AHL (BDT 1 billion) falls within the above Equity range

**B. AVERAGE PRICE/BOOK VALUE RATIO OF THE COMPANIES HAVING NPAT OF BDT 500 MILLION TO BDT 1000 MILLION**

Company Name	NPAT (Million)	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Jamuna Oil Com. Ltd.	511.28	350.03	11.36	30.81
Beximco Pharma	545.34	160.90	3.61	44.57
Heidelberg Cement Bd.	592.52	1782.29	104.86	17.00
Dhaka Electric Supply Ltd.	1000.83	1501.75	74.98	20.03
<b>Average</b>				<b>28.10</b>

The NPAT of AHL (BDT 768.72 Million as on 31 December 2009) falls within the above NPAT range

**C. AVERAGE PRICE /BOOK VALUE RATIO OF THE COMPANIES HAVING EPS OF BDT 5 TO BDT 10 (Under Tk. 10 Face Value of Share)**

Company Name	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Navana CNG Limited	200.52	6.74	29.75
Meghna Petroleum Ltd.	234.47	8.67	27.04
Marico Bangladesh Ltd.	422.95	8.49	49.82
Savar Refractories	640.96	9.46	67.75
<b>Average</b>			<b>43.59</b>

The EPS of AHL (Tk. 7.69 as on 31 December 2009) falls within the above EPS range, here they have used those company's whose face value of shares are Tk.10

**Average P/E ratio of Similar Company**

Categories of Comparable Companies	Avg. P/E Ratio	Assigned Weight	Weighted P/E Value
A. Average P/E ratio of the related companies	17.91	0.33	5.91
B. Average price/book value ratio of the companies having NPAT of BDT 80 million to BDT 200 million	28.10	0.33	9.27

C. Average price/book value ratio of the companies having EPS of BDT 5 to BDT 10	43.59	0.34	14.82
		<b>1.00</b>	<b>30</b>

### **FINDINGS AND CALCULATION OF REPRESENTATIVE PRICE/BOOK VALUE MULTIPLE**

Based on average P/E ratio of six similar companies, the price stands at Tk 132 per share.

Offer price = Last EPS (Diluted) of AHL as on 31 December 2009 X Average P/E ratio of similar company

$$= 7.69 \times 30$$

$$= 230.70$$

#### **Average Price Calculation**

<b>Particulars</b>	<b>Amount (Tk.)</b>
Method 1: Share price on Net Asset Value (NAV) per share	<b>51.71</b>
Method 2: Earnings based value per share	<b>26.76</b>
Method 3: Projected Earnings per Share	<b>84.60</b>
Method 4: Valuation with reference to average market price of similar stocks	<b>230.70</b>
<b>Average price</b>	<b>98.44</b>

The fair price of the company stands at Tk. 98.0 where the face value is Tk. 10/- per share. AHL believes that the issue price of Tk.98.00 is justified in view of the above qualitative and quantitative factors.

### **RISK FACTORS & MANAGEMENT'S PERCEPTIONS ABOUT THE RISKS**

It is necessary for every stakeholder to recognize the risks associated with various operations of a company and particularly the investors should be well aware of the risks relating to their investments in the company. These risks may have different types of impact on the revenue and/or capital investments of the entity. In order to make well-informed decisions, investors should cautiously consider the qualitative & quantitative factors of all the risks and uncertainties related to the company activities, along with all the information provided in this prospectus before taking decision to invest in the shares of Alliance Holdings Limited (AHL).

Since AHL invests in shares, debentures, bonds, warrants and security issued or guaranteed by any company or body corporate or association, it has risks associated with the reward; i.e. the return from such investments. AHL's risks are related to interests earned from the debenture/debenture stocks/bonds and capital gain at maturity of such securities and also profits/dividends gained from investments in shares. In other words, basic risks associated would be that the companies in which capital is provided may fail to generate adequate return and the money may be lost over a period of time.

AHL, as an investment company, does not only provide capital but also technical skills and expertise so as to help the companies stabilize their financial position.

Before undertaking any new investment, AHL conducts thorough project analysis so that the investments are safe, rewarding and sustainable in the short as well as long run. As part of the due diligence process, AHL demands significant details with respect to a company's business plan. AHL considers the types of financing needs of different companies; such as seed money, start-up money, bridge money, etc. and provides capital to those companies which are promising in terms of its prospects.

AHL formulates its strategy by idea generation, followed by start-up, ramp-up and exit strategies. Due to the illiquid nature of the investments, AHL carries out thorough analysis and appropriate investigation about the company's financial and non-financial indicators prior to investments.

AHL practices risk management which starts with identification of risks, followed by assessment/evaluation of such risks, implementation of risk responses according to the likelihood & consequence of those risks, and reporting & controlling thereafter. The company has its risk policies based on the appetite towards specific risks and their controls.

### **Interest Rate Risk**

Fluctuation in the interest rates on borrowings usually affects the return from the investments made. Unfavorable movement in the interest rate may affect the company to a greater extent when the company is partially or fully geared; depending on the size & terms of the borrowings.

### **Management Perception**

*AHL does not have any long term loan with any bank or financial institution. However, the company has taken short term loan and so far enjoyed secured overdraft facility against which necessary measures have been employed. The financial costs are very low as the interest coverage ratio is very high for the company and therefore, the risk exposure to Interest Rates is insignificant.*

### **Exchange Rate Risk**

During investments/transactions across the national territory, it is important to recognize the risks associated with the exchange rates of the other countries against the local currency. There may be fluctuations in the exchange rates between the days of investment and repatriation of returns; and this would affect the expected rate of return from such investments.

### **Management Perception**

*AHL has not made any investments abroad till date and thus it may be considered as irrelevant in this case.*

### **Non-Compliance Risk**

AHL has to ensure compliance of the prescribed rules and regulations of Securities & Exchange Commission, RJSC, Board of Investment, Bangladesh Bank, Export Promotion Bureau and the Stock Exchanges. Failure to non-compliance of such regulations may create barriers for AHL to grow further.

### **Management Perception**

*For every subsidiary/associate, it is mandatory that the internal control system is adequate and it is operating effectively to achieve the organizational objectives. Audit and assurance are carried out by independent audit firms for each financial year of every company; because failure to do so would result in unwanted reputational risk.*

### **Volatility in Capital Market**

If the Government of Bangladesh changes certain policies related to Capital Market, it may have a material impact on the revenue & investments of Alliance Holdings Limited (AHL).

### **Management Perception**

*The management of the company constantly looks for changes in the capital market and any expected upward or downward trend is discussed and analyzed in each quarter and also takes consideration of the degree of likelihood & the relative impact of any such volatility long before it takes place so as to make well-informed decision to boost shareholders' wealth.*

### **Investment in Subsidiary/Associate/Affiliate Companies**

Alliance Holdings Limited (AHL) invested in various companies which have different types of risk profiles. The related risks would be the business risks, valuation risks and force sale risks. The degree to which the investments may be affected, is described below:

### **Global Beverage Company Limited (GBCL)**

Any volatility in the carbonated drinks, soft drinks & energy drinks markets in Bangladesh influences the sales as well as profitability of GBCL.

### **Management Perception**

*GBCL conducts regular market research as part of its business strategy to maintain its strong market presence and address any threats to its smooth operation.*

### **Alliance Properties Limited (APL)**

Risks in APL are similar to the risks that are perceived in relation to the construction and Real Estate Development sector in Bangladesh.

### **Management Perception**

*With the rapid growth in construction and Real Estate Development contributed by both public & private sectors and the number of real estate developers increasing day by day, the future of construction business in Bangladesh seems to be very optimistic.*

### **Ejab Alliance Limited**



Ejab Alliance Limited is in the business of Cattle Breeding. Risks connected with breeding, cattle raising, etc. may affect the overall management perception or risk attitude of the company.

**Management Perception**

*Company appoints experts and advisors for providing necessary advice to the management to avoid the risks associated to the livestock business.*

**PEB Steel Alliance Limited**

PEBSAL obtains contracts from different countries, and have risks relating to foreign exchange dealings that consist of transaction, translation and economic exposures.

**Management Perception**

*Management of PEBSAL is aware of the risks associated with the overseas contracts and takes appropriate measures to diversify customer base in order to protect return from its investments. These measures also include forward contracts, hedging, and other defensive measures to protect foreign exchange risks. Risk is also mitigated by the high volume of local contracts that the company is awarded in local currency.*

**Alliance Media Limited (AML)**

Alliance Media Limited (AML) is in the business of Feature & Documentary Films and therefore, consumer appetite for those films may have an impact on the profitability of the business.

**Management Perception**

*Appropriate risk mitigation strategies are being formulated on routine basis to deal with the risks that are inherent in this type of business.*

**Summit Alliance Port Limited (SAPL)**

Risks perceived with the investments in SAPL are increased competition, dependency on Chittagong Port, dependency on international trade, market and technology-related risks, potential changes in government regulations, potential changes in global trade regulations, political unrest affecting port operations, natural disasters that may create disruption of normal operations, project land that may be subjected to acquisition by Civil Aviation Authority and any of these will affect /cause decline in the profitability of SAPL.

**Management Perception**

*The management of SAPL is very much aware of the risks mentioned above and has taken initiatives to respond to each of these risks both instantly and constantly. SAPL employs highly qualified team, uses insurance coverage and other measurers for the risks.*

**Alliance TG-Supply Limited**

Alliance TG-Supply Limited is exposed to Information Technology (IT) risks as it provides such services to clients and works for the development of e-commerce.

**Management Perception**

*Strategies for mitigating such threats have been formulated and they are being implemented according to the needs at different stages of industry life cycle.*

**Ocean Containers Limited (OCL)**

Perceived risks of investment in OCL relate to industry, market & technology, potential or existing government regulations, potential changes in global/national policies, exchange rate and operations.

**Management Perception**

*Current shareholding in OCL is very insignificant (as shown in the later part of the prospectus) and thus it will not have any material impact on AHL's portfolio return.*

**Nekan Alliance PEB Limited**

The risks faced by this organization are similar to the ones as in **PEB Steel Alliance Limited**.

**Management Perception**

*Appropriate measures are devised to respond to each of the risks as mentioned under "Management Perception" in **PEB Steel Alliance Limited**.*

**Ispahani Summit Alliance Terminal Limited**

A proposed Off-dock facility and the related risks are alike Summit Alliance Port Limited (SAPL) and Ocean Containers Limited (OCL).

**Management Perception**

*Suitable responses against all the risks are formulated at every layer of operations as mentioned under "Management Perception" in **Summit Alliance Port Limited (SAPL)**.*

Among the other investments, AHL invested in **Union Accessories Limited, Alliance Knit Composite Limited, Rabab Fashion Industries Limited** and **Rabab Washing Industries Limited**. All these businesses are related to garment products & accessories. The risks associated with these businesses would link to manufacturing, import & export of the said products & accessories.

**Management Perception**

*Management of AHL has robust internal control environment & relative procedures along with strong measures to deal with the associated risks in these businesses. Continuous monitoring of risks, ensuring effective corporate governance & deploying controls in relation to those risks are carried out by the respective management.*