

Bangladesh National Insurance Company **Limited**

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

Disclaimer:

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Brief Overview of the Company

- 1. Date of Incorporation** : 21 May 1996.
- 2. Commencement of business** : 21 May 1996.
- 3. Authorized Capital** : Tk. 200 million
- 4. Paid up Capital** : Tk. 60 million
- 5. Number of Employees** : 246

Details of the Issue

Description	Ordinary Shares	Face Value In Taka	Premium In Taka	Offer Value In Taka	Total Premium In Taka	Capital in Taka
Public Offering	900,000	100	50	150	45,000,000	90,000,000

Paid up Capital after IPO

Particulars	Ordinary Shares	Face Value (Tk.)	Capital in Taka
Pre-IPO Paid up capital	600,000	100	60,000,000
IPO	900,000	100	90,000,000
Paid up capital after IPO	1,500,000	100	150,000,000

Issue Managers : Prime Finance & Investment Limited.

Auditor : M. Ruhul Amin & Co.

Bangladesh National Insurance Company Limited
At a glance

Bangladesh National Insurance Company Limited (BNICL) was incorporated in Bangladesh as a public limited company on 21 May 1996 under the Companies Act, 1994 and licensed under the Insurance Act, 1938 in order to run all types of general insurance business other than life insurance business. It obtained certificate of commencement of business on 21 May 1996 with an authorized and paid up capital of Tk. 200 million and Tk. 60 million respectively. It got registration from Controller of Insurance on 18 June 1996. As on 31 December 2009, the Company has been operating its business through 15 branches along with one local office. The branches are located in different strategically important areas of the country.

Directors and officers

Information regarding directorship

Sl. No.	Name of Directors	Position
1	Abdul Baset Majumder	Chairman
2	Mostafa Kamal	Vice Chairman
3	Beauty Akter	Director
4	Md. Yasin	Director
5	Md. Abdur Rouf	Director
6	Tahmina Akther	Director
7	Mohammad Sayed Ahmed	Director
8	Tanjima Binthe Mostafa	Director
9	Farida Akter	Director

Directors' involvement in other organization

Name and Position	Involvement in other organization	
	Name of the Organization	Position
Abdul Baset Majumder Chairman	N/A	N/A
Mostafa Kamal Vice Chairman	United Salt Industries Ltd.	Chairman & MD
	Meghna Dairy and Food Products Ltd.	"
	Kamal Trading Company Ltd.	"
	Kamal Imports & Exports Ltd.	"
	United Fibre Industries Ltd.	"
	Meghna Vegetable Oil Industries Ltd.	"
	Bagdad Vegetable Oil Industries Ltd.	"
	United Feeds Ltd.	"
	Unique Cement Industries Ltd.	"
	United Edible Oils Ltd.	"
	United Mineral Water & PET Ind. Ltd.	"
	Unique Power Plant Ltd.	"
	Tanveer Polymer Industries Ltd.	"
	Unique Hatchery & Feeds Ltd.	"
	Tanveer Food Limited	"
	Tanveer Oils Limited	"
	Tanveer Mustard Oil Mill & Coconut Oil Mills Ltd.	"
	Tanveer Dal Mill & Flour Mills Ltd.	"
	United Sugar Mills Ltd.	"
	Unique Power Plant Ltd. Unit-II	"
Tanveer Paper Mills Ltd.	"	
Janata Flour and Dal Mills Ltd.	"	

	Global AD Star Bag Industries Ltd. Dhaka Plastic Bottle (PET) Ind. Ltd. Tasnim Chemical Complex Ltd. Tasnim Condensed Milk Ltd. Sonargaon Salt Industries Limited	" " " " "
Mohammad Sayed Ahmed (Raza) Director	N/A	N/A
Tanjima Binthe Mostafa Director	United Salt Industries Ltd. Tanveer Polymer Industries Ltd. Unique Hatchery & Feeds Ltd. Tanveer Oils Limited Tanveer Food Limited United Sugar Mills Ltd. Tanveer Paper Mills Ltd. Everest Power Generation Co. Ltd. Janata Flour & Dal Mills Ltd. Global AD Star Bag Industries Ltd. Dhaka Plastic Bottle (PET) Ind. Ltd. Tasnim Chemical Complex Ltd. Tasnim Condensed Milk Ltd. Sonargaon Salt Industries Ltd.	Director " " " " " " " " " " " " " "
Farida Akter Director	N/A	N/A

Family relationship among Directors and top five Officers

There is no family relationship among directors and top five officers of Bangladesh National Insurance Company Limited except the following:

Sl.	Name	Family Relationship
1	Abdul Baset Majumder Chairman	Father of Mr. Mohammad Sayed Ahmed (Raza)
2	Mostafa Kamal Vice Chairman	Husband of Mrs. Beauty Akter Father of Mrs. Tahmina Akhter and Ms. Tanjima Binthe Mostafa Brother of Mr. Md. Yasin.
3	Beauty Akter Director	Wife of Mr. Mostafa Kamal Mother of Mrs. Tahmina Akhter and Ms. Tanjima Binthe Mostafa Sister in law of Mr. Md. Yasin
4	Md. Yasin Director	Brother of Mr. Mostafa Kamal Brother in law of Mrs. Beauty Akter Uncle of Mrs. Tahmina Akhter and Ms. Tanjima Binthe Mostafa
5	Md. Abdur Rouf Director	Husband of Mrs. Farida Akter
6	Tahmina Akhter Director	Daughter of Mr. Mostafa Kamal and Mrs. Beauty Akter Sister of Ms. Tanjima Binthe Mostafa Niece of Mr. Md. Yasin
7	Mohammad Sayed Ahmed (Raza)	Son of Mr. Abdul Baset Majumder

	Director	
8	Tanjima Binthe Mostafa Director	Daughter of Mr. Mostafa Kamal and Mrs. Beauty Akter Sistere of Mrs. Tahmina Akther Niece of Mr. Md. Yasin
9	Farida Akter Director	Wife of Mr. Abdur Rouf

Ownership of the Company's Securities

Shareholding structure

Sl. No.	Name of Shareholder	Status	No. of Shares	% of total Shareholding
1	Abdul Baset Majumder	Chairman	15,000	2.50%
2	Mostafa Kamal	Vice Chairman	60,000	10.00%
3	Beauty Akter	Director	20,000	3.33%
4	Md. Yasin	Director	120,000	20.00%
5	Md. Abdur Rouf	Director	80,000	13.33%
6	Tahmina Akther	Director	20,000	3.33%
7	Mohammad Sayed Ahmed (Raza)	Director	5,000	0.83%
8	Tanjima Binthe Mostafa	Director	20,000	3.33%
9	Farida Akter	Director	10,000	1.67%
10	Muhammad Zakaria	Share Holder	120,000	20.00%
11	M.F. Kamal	Share Holder	120,000	20.00%
12	Md. Abu Taher	Share Holder	10,000	1.67%
Total			600,000	100.00

Use of Proceeds:

The Company offers its shares to the public as required by the Insurance Act, 1938 and Insurance Rules, 1958. The net proceeds of the present issue of 900,000 shares of Tk. 150 each including a premium of Tk. 50 per share totaling Tk. 13,50,00,000 will strengthen the capital base of the company and augment business expansion.

Tangible assets per share as at 31/12/2009:

Sl.	Particulars	Taka
A.	Assets	
1	Investment (at cost) (Statutory Deposit with Bangladesh Bank 3 years National Investment Bond)	9,000,000.00
2	Investment in shares	1,470,000.00
3	Outstanding premium	11,272,743.34
4	Interest accrued but not due (On FDR & National Investment Bond)	6,852,466.68
5	Amount due from other persons or bodies Carrying on Insurance Business	5,454,914.46
6	Sundry Debtors (Including Advances, Deposits & Prepayments)	23,160,054.91

7	Cash and Bank Balances Including Stamp In Hand	207,657,988.65
8	Fixed Assets (at cost less Dep.)	3,894,354.99
Total Assets		268,762,523.03
B.	Liabilities	
1	Balance of fund and accounts	29,550,058.28
2	Estimated liabilities in respect of outstanding claims whether due or intimated	74,414,078.00
3	Amount due to other persons or bodies carrying on insurance business	22,417,092.25
4	Sundry creditors (including provision for expenses and taxes)	15,631,928.10
5	Other Sums owing (Premium Deposits Account)	2,584,838.03
Total Liabilities		144,597,994.66
C	Net Asset (A-B)	124,164,528.37
D	Intangible Asset	-
E	Net Tangible Asset (C-D)	124,164,528.37
F	Number of Shares	600,000
G	Net tangible assets per share (E/F)	206.94

Determination of Offering Price

The issue price at Tk. 150 each including a premium of Tk. 50 per share is justified as per the guidelines of the Securities and Exchange Commission as detailed below:

(i) Net Asset Value per Share

The offering price of the common stock of Bangladesh National Insurance Co. Ltd. has been determined by assessing the Net Asset Value (NAV). The financial calculations are presented from the audited accounts as at December 31, 2009.

Sl.	Particulars	Taka
A.	Assets	
1	Investment (at cost) (Statutory Deposit with Bangladesh Bank 3 years)	9,000,000
2	Investment in shares	1,470,000
3	Outstanding premium	11,272,743
4	Interest accrued but not due (On FDR & National Investment Bond)	6,852,466
5	Amount due from other persons or bodies Carrying on Insurance Business	5,454,914
6	Sundry Debtors (Including Advances, Deposits & Prepayments)	23,160,054
7	Cash and Bank Balances Including Stamp In Hand	207,657,98
8	Fixed Assets (at cost less Dep.)	3,894,354
Total Assets		268,762,52
B.	Liabilities	
1	Balance of fund and accounts	29,550,058
2	Estimated liabilities in respect of outstanding claims whether due or	74,414,078
3	Amount due to other persons or bodies carrying on insurance business	22,417,092
4	Sundry creditors (including provision for expenses and taxes)	15,631,928
5	Other Sums owing (Premium Deposits Account)	2,584,838
Total Liabilities		144,597,9
C.	Net Asset (A-B)	124,164,5
D.	Number of Shares	600,000
E.	Net Assets Value per share (C/D)	206.94

From the above calculation we see that Net Asset Value per share of the Company stands at Tk. 206.94 which is higher than the offering price of Tk. 150 per share. So the offering price of Tk. 150 each including a premium of Tk. 50 per share appears to be justified.

(ii) Earning Based Value per share

year ended on	Net profit	EPS after tax
31-12-2009	17,523,100.63	29.21
31-12-2008	8,958,116.97	14.93
31-12-2007	7,447,889.21	12.41
31-12-2006	8,087,807.29	13.48
31-12-2005	4,578,514.83	7.63
Average	9,319,085.79	15.53

The weighted average net profit after tax for the last 5 (five) years stands at Tk. 9,319,085.79 and the weighted average EPS stands at Tk. 15.53. At issue price of Tk. 150 each including a premium of Tk. 50 per share, the Price Earning Multiple (P/E) of BNICL stands at 9.65 where as on December 2009 (as per DSE Monthly Review of December 2009) the P/E of insurance industry is 31.39 and overall market P/E is 25.65. If we consider P/E of 31.39 and 25.65, the earning based value of shares of the Company stands at Tk. 487.49 and 398.34 respectively which are much higher than the price offered.

(iii) Projected Earning Based Value per Share

Period (year)	Projected EPS
2010	16.88
2011	8.97
2012	11.29
Average	12.38

The weighted average EPS of the Company for next 3 (three) years stands at Tk. 12.38. If we consider the share price of the Company on the basis of DSE overall price earning multiple of 25.65 (DSE Monthly Review, December 2009), the earning based value per share of the Company stands at Tk. 317.54 a price much higher than the price offered.

(iv) Projected Net Asset Value Per Share

Period (year)	Projected NAV
2010	179.65
2011	134.34
2012	140.00
Average	151.33

(v) Average market price of similar stocks

As on April 2010 there are 44 insurance companies listed in DSE out of which 34 are general insurance companies. Closing prices on last trading days during last six months of the listed general insurance companies are given below:

Sl.	Company Name	Closing price (Tk.) on						Average price (Tk.)
		22 Apr 2010	31 Mar 2010	28 Feb 2010	31 Jan 2010	30 Dec 2009	26 Nov 2009	
1	Agrani Insurance Co. Ltd.	496.25	489.75	506.00	534.50	471.00	416.25	485.63
2	Asia Insurance Ltd.	791.50	890.00	923.00	998.00	641.50	608.75	808.79
3	Asia Pacific Gen. Ins. Co. Ltd.	668.00	685.25	757.75	793.50	631.25	657.00	698.79

4	BGIC	599.50	557.25	593.25	573.75	539.00	565.50	571.38
5	Central Insurance	735.75	961.00	744.25	786.50	739.25	633.75	766.75
6	City Gen. Insurance Co. Ltd.	479.00	473.75	492.25	511.00	479.75	429.25	477.50
7	Continental Insurance Ltd.	499.25	493.75	577.50	526.50	446.50	426.00	494.92
8	Dhaka Insurance Ltd.	732.75	759.50	763.25	-	-	-	751.83
9	Eastern Insurance	887.75	858.25	866.00	889.25	814.25	877.00	865.42
10	Eastland Insurance	968.75	1,245.75	1,255.50	1,291.00	932.00	953.00	1,107.67
11	Federal Insurance	614.00	606.50	608.00	683.00	574.75	626.50	618.79
12	Global Insurance Ltd.	459.00	502.50	669.50	590.75	543.25	566.25	555.21
13	Green Delta Insurance	1,611.00	1,702.25	1,820.50	1,810.00	1,669.75	1,637.75	1,708.54
14	Islami Insurance BD Ltd.	467.75	466.25	484.25	542.50	499.50	485.75	491.00
15	Janata Insurance	969.25	913.75	922.25	978.75	916.25	1,045.25	957.58
16	Karnaphuli Insurance	698.50	676.75	738.50	807.25	928.50	896.25	790.96
17	Mercantile Insurance Co. Ltd.	523.00	437.50	444.25	510.50	512.25	423.00	475.08
18	Nitol Insurance Co. Ltd.	612.75	603.00	638.00	643.75	610.00	555.50	610.50
19	Northern Gen. Ins. Co. Ltd.	547.00	519.00	543.50	583.25	510.00	448.50	525.21
20	Paramount Insurance Co. Ltd.	391.00	361.25	372.75	417.25	390.50	352.25	380.83
21	Peoples Insurance	736.50	685.50	839.25	1,468.00	1,002.75	1,010.00	957.00
22	Phoenix Insurance	823.75	820.25	829.25	966.50	781.00	777.00	832.96
23	Pioneer Insurance	926.25	1,166.75	1,237.50	1,310.00	1,058.00	1,054.75	1,125.54
24	Pragati Insurance	1,293.50	1,310.00	1,321.20	1,523.25	1,518.25	1,277.75	1,373.99
25	Prime Insurance	701.00	695.75	629.00	597.25	458.50	457.00	589.75
26	Provati Insurance Co. Ltd.	560.50	567.75	618.25	625.00	-	-	592.88
27	Purabi Gen. Insurance	1,442.00	1,404.50	1,618.75	1,419.00	1,133.75	1,065.75	1,347.29
28	Reliance Insurance	1,224.25	1,222.00	1,248.25	1,382.75	1,317.50	1,284.25	1,279.83
29	Republic Insurance Co. Ltd.	488.25	443.50	477.50	471.75	443.00	417.25	456.88
30	Rupali Insurance	1,057.00	1,043.50	1,071.25	1,164.75	1,088.75	1,131.75	1,092.83
31	Sonar Bangla Insurance Ltd.	459.00	425.25	441.25	471.75	408.00	377.50	430.46
32	Standard Insurance Ltd.	457.00	427.00	449.00	477.25	472.00	386.00	444.71
33	Takaful Islami Insurance Ltd.	604.50	585.50	626.00	659.50	516.75	463.25	575.92
34	United Insurance	1,045.50	999.50	1,340.75	1,555.25	1,503.25	1,592.25	1,339.42
Average								781.82

Face value of all the above insurance companies is Tk. 100 per share. Hence, from the above table it is clear that average market price of similar companies of insurance sector is 7.82 times higher than that of its face value. Based on this, we may assume that share prices of Bangladesh National Insurance Company Limited would be Tk. 782.

Price analysis at a glance:

Sl.	Method	Price (Tk.)
1	Net Asset Value Per Share	206.94
2	Earning Based Value per share (considering P/E of Insurance)	487.49
3	Earning Based Value per share (considering P/E of market)	398.34
4	Projected Earning Based Value Per Share	317.54
5	Projected Net Asset Value Per Share	151.33
6	Average market price of similar stocks	781.82
Average		390.58

From the above analyses, it appears that the offer price of Tk. 150 per share including a premium of Tk. 50 each of ordinary shares of Bangladesh National Insurance Company Limited is quite justified and reasonable.

Description of property

- The company's business is operated through its Head Office and branch offices. All the offices of the company are situated on rented premises. On 16-02-2010 the company has purchased a floor space of 5,800 sft. on WW Tower, 68 Motijheel Commercial Area, Dhaka-1000.
- All the assets of the company are situated at company's office premises.
- The company itself owns the entire property and none is on lease or borrowed.
- Neither properties of the company are mortgaged nor have any lien on them.
- The properties are purchased in brand new condition.

FORM-AA

**CLASSIFIED SUMMARY OF THE ASSETS IN BANGLADESH OF
BANGLADESH NATIONAL INSURANCE COMPANY LIMITED
AS AT 31ST DECEMBER, 2009**

Sl No.	Class of Assets	Book Value (TK.)
1	Three Years National Investment Bond	9,000,000.00
2	Fixed Deposit Reserve and Short Term Deposit Accounts with Banks	207,020,886.53
3	Cash in Hand	576,113.12
4	Outstanding Premium	11,272,743.34
5	Accrued Interest	6,852,466.68
6	<u>Other Assets as specified below :</u>	34,040,313.36
	a) Advances, Deposits & Prepayments	23,160,054.91
	b) Fixed Assets (At cost less Depreciation)	3,894,354.99
	c) Stamp in Hand	60,989.00
	d) Investment in Shares (at cost price)	1,470,000.00
	e) Amount due from other persons or bodies carrying on Insurance business	5,454,914.46
Total :		268,762,523.03

Performance at a Glance:

(Tk. in Million)

Particulars	31-12-2005	31-12-2006	31-12-2007	31-12-2008	31-12-2009
Net Premium	49.33	66.76	74.43	64.74	73.70
<i>Growth</i>		35.35%	11.48%	-13.02%	13.84%
Net Claims	16.35	5.85	36.02	35.90	21.81
<i>Growth</i>		-64.24%	515.92%	-0.33%	-39.26%
Management Expenses	39.04	46.53	31.79	26.90	30.56
<i>Growth</i>		19.19%	-31.67%	-15.40%	13.60%
Profit Before Taxes	5.86	9.24	9.91	11.00	25.03
<i>Growth</i>		57.60%	7.18%	11.04%	127.53%
Profit after Taxes	4.58	8.09	7.45	8.96	17.52
<i>Growth</i>		57.60%	7.18%	11.04%	127.53%
Earnings per Share	7.63	13.48	12.41	14.94	29.21
<i>Growth</i>		76.65%	-7.91%	20.34%	95.50%
Total Assets	154.70	185.99	208.19	236.06	268.76
<i>Growth</i>		20.23%	11.94%	13.38%	13.86%
Total Liabilities	78.46	94.65	110.52	129.41	144.60
<i>Growth</i>		20.63%	16.77%	17.10%	11.73%
Net Asset Value	76.24	91.34	97.68	106.64	124.16
<i>Growth</i>		19.81%	6.93%	9.18%	16.43%
Total Reserve & Surplus*	16.24	31.34	37.68	46.64	64.16
<i>Growth</i>		93.03%	20.21%	23.79%	37.57%
Underwriting Profit (Loss)	0.92	-3.15	-2.79	-5.42	5.72
Investment Income	9.79	13.48	13.94	17.57	20.43
<i>Growth</i>		37.69%	3.41%	26.04%	16.28%
Miscellaneous Income	0.16	-	0.24	-	0.53
Total Income	10.87	10.33	11.38	12.15	26.68
<i>Growth</i>		-1.50%	6.70%	8.63%	116.29%
Net Asset Value per Share	127.06	152.24	162.80	177.74	206.94
<i>Growth</i>		19.81%	6.93%	9.18%	16.43%
Number of Shares	600,000	600,000	600,000	600,000	600,000
<i>IPO</i>					900,000
Post IPO Number of Shares					1,500,000

***Total Reserves = Reserve for exceptional losses + P/L Appropriation Account**

Risk factors & Management's perceptions about the risks

Any investment always associates with risks. Among those risks some can be averted, others are beyond control. Before making any investment decision, Investors should take the risk factors into consideration. Major such risk factors are described in brief as under:

Interest rate risks

Volatility of money market may influences the overall interest rate structure of the country. Other than underwriting profit earned, profitability of the company also depends on interest rate structure. In 2009 the company has earned Tk. 20,430,320.01 as interest income which is 81.63% of the total net profit before tax. So, any unfavorable change in interest rate structure may affect the company's business adversely.

Management perception

As the company does not have any bank loan, rise in interest rate will not affect the company adversely. On the other hand, if interest rate falls, the company will go for alternative investment schemes to utilize its funds.

Exchange rate risks

Taka has been devalued significantly against dollar and it is very unlikely of any immediate appreciation of Taka. But devaluation of local currency against major international currencies may not affect the company's insurance business.

Management perception

Since BNICL is not engaged into any insurance business in foreign currency, exchange rate risk is not relevant here.

Industry risks

The Company is operating in a highly competitive industry. Presently, 44 General insurance companies including the SBC are operating in the country. BNICL has to face stiff competition arising from the existing 43 general insurance companies excluding SBC.

Management perception

The company has successfully accessed the market till date with a proactive approach by a group of professional and vast experienced peoples. Therefore the company is working on offering services at competitive terms. Despite the extreme competition, BNICL's business operation shows satisfactory performance.

Market and technology-related risks

To be competitive in the market, insurance companies need to develop new services/products and offer excellent clientele services and also to expand the market by bringing more and more items under the preview of insurance otherwise the competitors may take away company's business.

Management perception

Insurance business globally is increasing. Industrialization and other infrastructure of the country are remarkably developing; as such the general insurance business is increasing day by day. New items are coming under the cover of insurance. The market is expanding as people are realizing the importance of insurance. Because of the company's excellent services and introduction of new products, the company faces a very low degree of market and technological related risk.

Potential or existing government regulations

Government policy change in respect of rates of premium, underwriting commission, agent's commission reinsurance commission, interest on deposits etc. may affect income and profitability of the company.

Management perception

The Government has proposed new Insurance Act and Rules and tries to shift the responsibility of insurance sector to Ministry of Finance from Ministry of Commerce to establish the discipline and corporate culture in this industry. Therefore a positive impact is expected on insurance companies.

Potential changes in global or national policies

Changes in government policy as well as policy of foreign countries may affect adversely the business of the company. Any structural change in the international insurance business adversely affecting the insurance business may have negative impact on the profitability of the Company.

Management perception

The history of insurance/re-insurance business for over two hundred years proves that any major structural change affecting reinsurance business is unimaginable. Any such event would create a global destabilization, which the major economies must not cause to happen.

History of non-operation

If a company becomes non-operative for some period in its operating life then risk of becoming non-operative in future for the same reasons or other probable reasons should be considered carefully.

Management perception

The Company does not have any history of non- operation so no risk has arise in this respect. Moreover the Company is operating its business all over the country through 15 branches and financial strength of the Company is very high. So, chance of becoming non-operative in future is almost zero.

Operations risks

Political and social condition may affect smooth operation of the business resulting in drastic fall to the value of its investment. Moreover according to letter নং-প্রঃবীঃনিঃ-৫২/১/৯৯-১৯০৭ dated 22-11-2007 and letter নং-প্রঃবীঃনিঃ-৫২/১/৯৯-০৫ dated 4-1-2009 of the Chief Controller of Insurance, a penalty was imposed for failing to float shares to the public from 17-12-1999 to 30-11-2008. A total fine of Tk. 3,280,000 was imposed which is already paid.

Any further penalty imposed by the Chief Controller of Insurance may affect the profitability of the Company adversely.

Management perception

There is no record of reduction in the premium income of the company arising from political unrest in the past. Moreover insured are very much careful to take risk coverage on their properties. Therefore premium income ratio is increased at the time of political unrest. On the other hand, if any amount of penalty is imposed by the Chief Controller of Insurance, it will not significantly affect the profitability of the Company.