

Barakatullah Electro Dynamics 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 : 26 June 2007
2. Year of Commencement : 24 October 2009
3. Converted into Public Limited Company: 25 September 2008
4. Authorized Capital : Tk. 1,000 million
5. Paid up Capital (Pre IPO) : Tk. 660 million
6. Financial year : June-July

Capital Structure:

The capital structure of Barakatullah Electro Dynamic Limited before and after IPO will be as under:

1 Financial structure prior to IPO	
a) Issued, subscribed and paid up capital as on 30-June-2010	Tk. 600,000,000
b) Proposed stock dividend (10%, AGM on 28-12-2010)	Tk. 60,000,000
c) Total paid up capital prior to IPO (a + b)	Tk. 660,000,000
2 Financial structure after IPO	
a) Issued, subscribed and paid up capital prior to IPO	Tk. 660,000,000
b) Initial Public Offering (IPO) without premium	Tk. 300,000,000
c) Total paid up capital after IPO (a + b)	Tk. 960,000,000
d) Premium from IPO	Tk. 1,500,000,000

Use of Proceeds from IPO:

Barakatullah Electro Dynamics Limited will pay off the term loan and meet up working capital requirement to utilize the net proceeds of public offer.

Issue Manager : Prime Finance & Investment Limited

Auditor : Haque Shahalam Mansur & Co.

Company at a glance

Barakatullah Electro Dynamics Ltd. is the first private sector power producing company, developed by Non Resident Bangladeshi (NRB) investors and local entrepreneur established in 2007 with the main focus on power generation in Bangladesh. The Government of Bangladesh (GOB) recognizes that power development has to be accelerated in order to achieve overall economic development targets of the country and avoid looming power shortages. Hence, the GOB is to boost up private sector for power generation in the country for the sake of overall development. Barakatullah Electro Dynamics Ltd., Bangladesh along with STFE Co, Ltd., Thailand bid a tender for 50 MW ±10% Power Plant, (build-own-operate basis) at Fenchuganj, Sylhet. Finally the company quoted the lowest price in the bid and has been selected as a qualified company by Bangladesh Power Development Board (BPDB). The project involves setting up of a rental power plant by Barakatullah Electro Dynamics Limited (BEDL) with capacity of 51 MW at Fenchuganj, Sylhet and operating it on Build-Own-Operate (BOO) basis for a term of 15 years. The generated electricity of the project is being sold to BPDB. The plant has successfully commissioned on 10 October 2009 and started its commercial operation from 24 October 2009 and supplying electricity to BPDB very reliably.

Important dates:

Incorporation of the Company (as Private Limited)	26 June 2007
Date of signing power supply agreement with BPDB	28 April 2008
Date of signing gas supply agreement with JGTDSL	22 June 2008
Date of signing Gen-set supply agreement with GE Jenbacher GmbH & Co, Austria	12 August 2008
Date of conversion into Public Limited	25 September 2008
Date of signing syndicated term loan facility	22 January 2009
Date of commercial operation	24 October 2009
Date of formal inauguration by Honorable Prime Minister	03 April 2010
Date of ISO 9001:2008 certification for quality management	01 September 2010

Nature of business:

The principal activity of the company is to set up power plants for generation and supply of electricity.

Principal products and services:

At present generating and supplying electricity is the principal product/service of the company.

Relative contribution of Products contributing more than 10% of the total revenue:

Generating and supplying electricity is the principal product of the company which contributes almost 100% of its revenue.

Market for products and services:

The generated electricity of the project is being sold to BPDB. The plant has successfully commissioned on 10 October 2009 and started its commercial operation from 24 October 2009 and supplying electricity to BPDB very reliably.

Name of associates, subsidiary/related holding company and their core areas of business:

The Company has no associated, subsidiary/related holding company.

Distribution of Products/Services:

The company is generating electricity through its power plant located at Fenchugonj, Sylhet and supplying the electricity to National Grid at 132 KV bus bar.

Sources and availability of raw materials and the names of the principal suppliers:

The main raw material for generating electricity is natural gas. The Company has signed Gas Sales Agreement with Jalalabad Gas Transmission and Distribution System Ltd. on 22 June 2008 for supply of gas to 51 MW Fenchugonj Rental Power Plant, Sylhet for a term of 15 years.

Sources of, and requirement for power, gas and water or any other utilities:

Power: The power requirement is met from company's own generation; however any disruption is met through supply from local palli bidyut samity for auxiliary use only.

Gas: The Company requires natural gas for generation of electricity. The required gas is supplied by Jalalabad Gas Transmission and Distribution System Ltd.

Water: The Company uses close circuit cooling system for its generators and the cooling water requirement is very minimal which is supplied from deep tube well through demineralization plant.

Customer providing 10% or more revenues:

The company has signed power supply agreement on rental basis with BPDB on 28 April 2008 for a term of 15 years to provide 51 MW net electrical power to Bangladesh Power Development Board (BPDB). Under the scope, BEDL build, own and operate the electricity generation facility on rental basis and sell electricity output to BPDB. BPDB purchases total electrical capacity and energy from Barakatullah Electro Dynamics Ltd.

Production or service rendering capacity and current utilization:

Rendering capacity and Generation of the plant since commercial date of operation is given below:

Billing Month	Rendering Capacity (KWH)	Generation (KWH)	Plant Factor (%)
Oct-2009	29,112,864	29,037,376	99.74
Nov-2009	39,699,360	27,329,100	68.84
Dec-2009	41,022,672	17,919,400	43.68
Jan-2010	41,022,672	24,584,600	59.93
Feb-2010	37,052,736	31,947,900	86.22
Mar-2010	41,022,672	39,147,900	95.43
Apr-2010	39,699,360	34,357,500	86.54
May-2010	41,022,672	34,642,200	84.45
June-2010	39,699,360	36,144,500	91.05
July-2010	41,022,672	38,966,200	94.99
Aug-2010	41,022,672	38,944,100	94.93
Sept-2010	39,699,360	35,658,700	89.82

Board of Directors & their Ownership in other Companies:

Sl.	Name and Position	Involvement in other organization	
		Name of the Organization	Position
1	Faisal Ahmed Chowdhury Chairman	Royal Homes Ltd.	Chairman
2	Md. Ahsanul Kabir Vice Chairman	Syltop Associates (Pvt) Ltd.	Director & CEO
3	Abdul Bari Vice Chairman	Woman's Medical College & Hospital, Sylhet	Director
4	Nayem Ahmed Chowdhury Director	Royal Homes Ltd.	Director
5	Fahim Ahmed Chowdhury Director	-----	-----
6	Robin Chowdhury Director	Kensington Ltd.	Managing Director
7	Nanu Kazi Mohammed Miah Director	-----	-----
8	Md. Shirajul Islam Director	-----	-----
9	Mohammed Abdul Ahad Director	Royal Homes Ltd.	Director
10	Kazi Mohammed Angur Miah	-----	-----

	Director		
11	Abdul Mumin Director	-----	-----
12	Nasim Ahmed Chowdhury Director	-----	-----
13	Manzur Ashraf Khan Director	Royal Homes Ltd.	Director
14	Alimus Sadat Chowdhury Director	Alim Industries Ltd. Royal Homes Ltd. Brothers Machinery	Chairman Director Partner
15	Afzal Rashid Chowdhury Director	Nina-Afzal Industries Ltd. Balisera Hill Tea Co. Ltd. Abhinoy Niketon Ltd. Blue-Bird Auto Ltd. Crystal Properties Auto Diagnose Centre	Managing Director MD MD Chairman Managing Partner Managing Partner
16	Monsur Alam Chowdhury Director	-----	-----
17	Yeahyea Murad Khan Director	Royal Homes Ltd.	Director
18	Ubaydia Chowdhury Director	-----	-----
19	Gulam Rabbani Chowdhury Managing Director	Alim Industries Ltd. Royal Homes Ltd. Brothers Machinery	Managing Director MD

Ownership of Company's Securities:

Sl.	Name	Status	No. of shares held	Amount Taka	% holding
1	Faisal Ahmed Chowdhury	Chairman	1,625,000	16,250,000	2.71
2	Md. Ahsanul Kabir	Vice Chairman	1,950,000	19,500,000	3.25
3	Abdul Bari	Vice Chairman	707,720	7,077,200	1.18
4	Nasim Ahmed Chowdhury	Director	835,570	8,355,700	1.39
5	Nayem Ahmed Chowdhury	Director	712,500	7,125,000	1.19
6	Fahim Ahmed Chowdhury	Director	532,340	5,323,400	0.89
7	Alimus Sadat Chowdhury	Director	162,500	1,625,000	0.27
8	Md. Shirajul Islam	Director	1,057,720	10,577,200	1.76
9	Mohammed Abdul Ahad	Director	607,720	6,077,200	1.01
10	Abdul Mumin	Director	967,150	9,671,500	1.61
11	Robin Chowdhury	Director	5,749,300	57,493,000	9.58

12	Kazi Mohammed Angur Miah	Director	1,057,720	10,577,200	1.76
13	Nanu Kazi Mohammed Miah	Director	1,223,720	12,237,200	2.04
14	Yeahyea Murad Khan	Director	308,340	3,083,400	0.51
15	Manzur Ashraf Khan	Director	246,000	2,460,000	0.41
16	Ubaydia Chowdhury	Director	557,720	5,577,200	0.93
17	Afzal Rashid Chowdhury	Director	418,290	4,182,900	0.70
18	Monsur Alam Chowdhury	Director	318,370	3,183,700	0.53
19	Gulam Rabbani Chowdhury	Managing Director	1,625,000	16,250,000	2.71
20*	All Other General Shareholders	Shareholder	39,337,320	393,373,200	65.57
	Total		60,000,000	600,000,000	100

* There are total 118 shareholders in this group and none of them holds 5% or above shares in the paid up capital of Barakatullah Electro Dynamics Limited.

Shareholding structure for 5% or more as on 30 June 2010:

Sl. No.	Name of the Sponsor Shareholders	Status	No. of Shares subscribed	Subscribed Amount	%
1	Robin Chowdhury	Director	5,749,300	57,493,000	9.58

Performance at a Glance

Tk. in million

Barakatullah Electro Dynamics Limited

Performance at a Glance:

Particulars	30.06.08	30.06.09	30.06.10
Turn Over (Sales)			514.54
Cost of sales			245.35
Gross profit			269.19
S & A Expense			50.51
Operating Profit			218.67
Net Profit			102.05
Total Assets	170.22	1970.21	2192.1
Growth	0.00%	1057.45%	11.26%
Net Assets	163.83	524.64	702.05
Growth	0.00%	220.23%	33.82%
NAV per share	109.22	14.99	11.70
Growth	0.00%	-86.28%	-21.94%
EPS			1.70
EPS (Considering Post IPO Shares and proposed 10% stock dividend)			1.06

Particulars	30.06.08	30.06.09	30.06.10
Shareholders Equity	163.83	524.64	702.05
No. of Shares	1,500,000	35,000,000	60,000,000
Post IPO Shares(Including proposed 10% stock dividend)			96,000,000

***A special resolution is passed and duly certified from RJSC dated 30 December 2009 to adopt a new Article of Association. By the said special resolution the company's face value of share is reduced from Tk. 100 to Tk. 10.

*** The Company declare 10% stock Dividend for the year ended on 30.06.10.

Description of property

- The company's business is operated through registered office at 102 Azadi, Mirboxtola, Sylhet-3100, corporate office at 6/A/1 (2nd Floor), Segunbagicha, Ramna, Dhaka-1000 and power plant at Voraut, Fenchugonj, Sylhet. The registered office and the corporate office are situated on rented premise while premise of the power plant is owned by the company.
- All the assets of the company are situated at company's office premises and power plant premises. All the assets of the company are in good operating condition.
- The properties are purchased in brand new condition.
- The company itself owns the entire property and none is on lease or borrowed.
- The plant & machinery and other assets of the company are mortgaged till 31-December-2018, to Infrastructure Development Finance Company Limited (IDCOL), BRAC Bank Limited, Trust Bank Limited, AB Bank Limited, Janata Bank Limited & Industrial and Infrastructure Development Finance Company Limited (IIDFC) against the project loan.

Tangible Asset Per Share

Tangible assets per share as at 30 June 2010

Sl	Particulars	Taka
A. Assets		
1	Property, Plant & Equipment	1,914,078,6
2	Intangible Assets	34,667
3	Pre-Operating Expenses	41,861,387
4	Inventories	8,522,606
5	Accounts Receivables	134,578,55
6	Advances, Deposits & Pre-payments	81,501,256
7	Cash & Bank Balances	11,526,877
	Total Assets	2,192,104,0
B. Liabilities		
1	Term Loan-Long Term Portion	1,221,464,6
2	Term Loan-Short Term Portion	180,050,50
3	Liability for Expenses	14,485,254
4	Accounts Payable	74,050,246
	Total Liabilities	1,490,050,6
C.	Net Asset (A-B)	702,053,35
D.	Intangible Asset	34,667
E.	Net Tangible Asset (C-D)	702,018,68
F.	Number of Shares outstanding	60,000,000
G.	Net tangible assets per share (E/F)	11.70

After considering 10% proposed stock dividend Net tangible assets per share stands as Tk. $702,018,687 / 66,000,000 = \text{Tk. } 10.64/-$

Determination of Offer Price

The issue price at Tk. 60 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 Barakatullah Electro Dynamics Limited has been determined by assessing the Net Asset Value (NAV). The financial calculations are presented from the audited accounts as at 30 June 2010.

Sl.	Particulars	Taka
A.	Assets	
1	Property, Plant & Equipment	1,914,078,657
2	Intangible Assets	34,667
3	Pre-Operating Expenses	41,861,387
4	Inventories	8,522,606
5	Accounts Receivables	134,578,553
6	Advances, Deposits & Pre-payments	81,501,256
7	Cash & Bank Balances	11,526,877
	Total Assets	2,192,104,003
B.	Liabilities	
1	Term Loan-Long Term Portion	1,221,464,642
2	Term Loan-Short Term Portion	180,050,507
3	Liability for Expenses	14,485,254
4	Accounts Payable	74,050,246
	Total Liabilities	1,490,050,649
C.	Net Asset Value (A-B)	702,053,354
D.	Number of Shares outstanding	60,000,000
E.	Net tangible assets per share (C/D)	11.70

After considering 10% proposed stock dividend NAV per share stands at Tk. $702,053,354/66,000,000 = \text{Tk. } 10.64/-$

From the above calculation we see that before considering proposed stock dividend Net Asset Value per share of the Company stands at Tk. 11.70 and after considering the proposed stock dividend NAV per share becomes Tk. 10.64. Consider prevailing Price to NAV ratio of 7.45 of similar companies, as detailed below, price of the shares stands at Tk. $11.70 \times 7.45 = \text{Tk. } 87.17$ or $\text{Tk. } 10.64 \times 7.45 = \text{Tk. } 79.27$ taking pre bonus issue and post bonus issue respectively, which is much higher than the offering price of Tk. 60 per share. So the offering price of Tk. 60 each including a premium of Tk. 50 per share appears to be justified.

Calculation of Price to NAV ratio:

Sl.	Co. Name	Price/NAV Ratio x times
1	Summit Power Limited	9.25
2	Dhaka Electric Supply Company Limited	5.53
3	Power Grid Company of BD Limited	2.66
4	Khulna Power Company Limited	12.34
	Average	7.45

* Source: DSE monthly review, August 2010, Vol 25.

(ii) **Earning Based Value per share:**

For the year ended on	Net profit after tax	EPS after tax
30 June 2010	Tk. 102,053,354	Tk. 1.76

The company started its commercial operation from 24 October 2009. Hence, although the above EPS is mentioned in the annual accounts, it actually reveals EPS for the last 8 months of operation. If we consider market P/E ratio of 25.81* then price of the shares of BEDL becomes Tk. $1.76 \times 25.81 = \text{Tk. } 45.43$ and considering sectoral P/E of Fuel & Power sector, which is 27.02* on August 2010, price of shares of BEDL becomes Tk. $1.76 \times 27.02 = \text{Tk. } 47.56$.

On the other hand annual EPS of the company stands at Tk. $(1.76 \times 12) / 8 = \text{Tk. } 2.64$. If we consider the actual annualized EPS, price of the shares will become as follows:

Taking maker P/E = Tk. $2.64 \times 25.81 = \text{Tk. } 68.14$
Taking sectoral P/E = Tk. $2.64 \times 27.02 = \text{Tk. } 71.33$

From the above calculation it is clear that although as per accounting EPS for the year ended on 30 June 2010 prices of the shares of BEDL are a bit lower than that of the offer price, while considering the actual EPS prices goes much higher. Hence offer price of Tk. 60 per share is justified.

* Source: DSE monthly review, August 2010, Vol 25.

(iii) **Projected Earning Based Value per Share:**

For the year ended on	Projected EPS
30 June 2011	2.77
30 June 2012	3.24
30 June 2013	3.34
Average	3.12

Price of shares taking maker P/E = Tk. $3.12 \times 25.81 = \text{Tk. } 80.53$

Price of shares taking sectoral P/E = Tk. $3.12 \times 27.02 = \text{Tk. } 84.30$

(iv) **Projected Net Asset Value Per Share**

Period (year)	Projected NAV
30 June 2011	27.26
30 June 2012	28.50
30 June 2013	29.84
Average	28.53

Consider prevailing Price to NAV ratio of 7.45 of similar companies price of the shares of BEDL stands at Tk. $28.53 \times 7.45 = \text{Tk. } 212.55/-$

(v) **Average market price of similar stocks:**

Sl.	Company Name	Closing price (Tk.) on						Average price Taka	Average price Taking face value of Tk. 10 per share
		30-09-10	31-08-10	29-07-10	30-06-10	31-05-10	29-04-10		
1	Summit Power Limited	143.30	144.90	136.50	133.82	138.25	126.82	137.27	137.27
2	Dhaka Electric Supply Co. Ltd.	3,040.25	2,526.50	2,469.25	2,293.25	2,026.50	1,846.50	2,367.04	236.70
3	Power Grid Company of BD	1,072.25	1,037.25	1,044.75	1,025.00	874.25	794.00	974.58	97.46

	Limited								
4	Khulna Power Company Limited	136.10	141.70	144.90	140.50	201.20	253.70	169.68	169.68
Average								912.14	160.28

From the above record it is very clear that average market price of similar stocks is 160.28. So, offer price of Tk. 60 per share of BEDL is much lower than its expected market price. Hence the offer price is quite justified.

Price analysis at a glance

Sl.	Method	Price (Tk.)
1	Based on historical NAV Per Share (pre bonus issue)	87.17
2	Based on historical NAV Per Share (post bonus issue)	79.27
3	Earning Based Value per share (considering P/E of Power sector)	71.33
4	Earning Based Value per share (considering P/E of market)	68.14
5	Projected Earning Based Value Per Share (considering P/E of Power sector)	84.30
6	Projected Earning Based Value Per Share (considering P/E of market)	80.53
7	Based on Projected NAV Per Share	212.55
8	Average market price of similar stocks	160.28
Average		105.45

From the above analysis, it appears that every method used for determining offer price of shares of BEDL reveals a higher price than that of the offer price. Hence, the offer price of Tk. 60 per share including a premium of Tk. 50 each of ordinary shares of Barakatullah Electro Dynamics Limited is quite justified and reasonable.

Risk factors & Management's perceptions about the risks

Every equity investment is associated 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 influence the overall interest rate structure of the country. On 30 June 2010, as the company has about Tk. 140.15 crore of outstanding loans, any unfavorable change in interest rate structure may affect the company's business adversely.

Management perception

Management of the company believes that rise in interest rate will not substantially affect the company. On the other hand, if interest rate falls, the company will go for alternative investment schemes to utilize its funds. Moreover, management of BEDL is planning to pay off its term loans with the IPO proceeds. After paying off the term loans exposure of BEDL to interest rate risk will reduce to a great extent.

Exchange rate risks

Taka has been devalued significantly against dollar and it is very unlikely to appreciate in near future. But devaluation of local currency against major international currencies will not affect the company's business.

Management perception

Since all dues relating to import of machineries and equipments from abroad has been settled, exchange rate risk is not going to hamper business of the company.

Industry risks

The Company is operating in an industry where there is a huge gap between demand and supply. Although power sector is a highly demanding and aggravated sector in our country, chances are there that excessive competition may hamper the company's business.

Management perception

Currently there is a huge gap between demand and supply of electricity in our country. On the other hand demand for electricity is increasing drastically day by day. In this situation chance of excessive competition is almost zero. Moreover BPDB purchase 100% of the electricity produced by the company at a rate predetermined in the Power Purchase Agreement which is also adjusted as per

consumer price index. Hence, the company is protected against any sort of loss due to competition or inflation.

Market and technology-related risks

Capacity of generating power is dependent to a great extent on the capacity of its generators. Should there be any disturbance in the technology used by the company; operation of the company may face major turbulence.

Management perception

The company is using state of the art technology and modern machines. The plant is comprised of 19 units of generator sets from the world renowned gas fuelled reciprocating engine manufacturer GE Jenbacher, Austria. Total installed capacity of the plant is 55.138 MW where contracted capacity is 51 MW of electricity. To ensure uninterrupted supply of electricity the project has 8.11% of reserve margin in production. To reduce any chance of disturbances the company has enter a spare parts supply contract for a period of 15 years with GE Jenbacher. Furthermore the management of the company is very serious about timely maintenance of the machineries.

Potential or existing government regulations

Although existing government rules and regulations are very favorable for the company, chances are there that the government might take any policy that may adversely affect profitability and operation of the company.

Management perception

The Government is committed for providing affordable and reliable electricity to all citizens by 2020 for economic and social development. The government has declared its vision for power sector to make the country free from load shedding beyond 2011 and to make electricity for all by year 2020. Hence, management of the company is confident enough that regarding government policy BEDL will not have to face any unfavorable situation.

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 power generation industry may adversely affect the business and may have negative impact on the profitability of the Company.

Management perception

Modern life is totally dependent on electricity. Without electricity modern life cannot sustain. Without uninterrupted flow of electricity development of a country is not possible. Hence, As far as national policy is concerned, power sector is not going to face any adverse effect. On the other hand, chances of global policies hampering power sector of our country is very negligible.

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 trying to expand its business by installing more power plants. So, chance of becoming non-operative in future is very low.

Operations risks

Operational risk covers the ability of the project to achieve the performance as envisaged. Technology used, fuel supply arrangement, operation & maintenance (O&M) arrangement and political condition are major sources of operational risk for the company.

Management perception

To mitigate fuel supply problem BEDL has signed gas supply agreement with Jalalabad Gas Transmission and Distribution Systems Ltd. (JGTDSL) on 22 June 2008 for a term of 15 years to supply gas in required quantity and specification throughout the agreement period. For O&M of the plant, BEDL has appointed local qualified engineers and technicians who have experience to work in power plants. Moreover the plant vendor GE Jenbacher GmbH & Co. will supply all necessary spare parts for a period of 15 years with 1 year warranty period from the date of delivery. During major overhaul, BEDL will engage GE Jenbacher GmbH & Co. for providing the overhaul services. As the company installed 19 units of generators, electricity supply will not be hampered to a great extent even at the time of scheduled maintenance or any minor problem. Power project in general has operational risk and for this project is quite high considering 15 years of operation. However technical expertise availability in the country, supply contract with the vendor as well as reserve margin of around 8.11% (installed capacity) mitigates the operational risk to a great extent.