

Central Depository Bangladesh Limited (CDBL)

(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 : 20 August, 2000
2. Date of Commercial operation : 20 October, 2003.
3. Authorized Capital : Tk. 2,000.00 mn
4. Paid up Capital (Pre-IPO) : Tk. 692.00 mn

Details of the Issue

Description	Ordinary Shares	Face Value In Taka	Issue Price	Capital in Taka
Public Offering	40,000,000	10	60	400,000,000
Total Issue	40,000,000	10	60	400,000,000

Paid up Capital after IPO

Particulars	No. of shares	Amount in face Value Tk.
Authorized Capital	200,000,000	2,000,000,000
Paid up capital as on 30 June, 2010 (as per audited accounts)	69,200,000	692,000,000
1 Bonus Share for every shares held (proposed) *	69,200,000	692,000,000
Capital Raising**	21,600,000	216,000,000
To be issued as IPO	40,000,000	400,000,000
Paid up capital (Post IPO)	200,000,000	2,000,000,000

Issue Manager : BRAC EPL Investments Limited

Auditor : Hoda Vasi Chowdhury & Co.

Company at a glance

CDBL was incorporated on 20th August 2000 in Bangladesh as a public limited company for running a central depository operation, first of its kind in Bangladesh. The Company is sponsored by the country's Nationalized Commercial Banks (NCBs), Investment Corporation of Bangladesh (ICB), Private Commercial Banks (PCBs), Foreign Banks, Merchant Banks, Publicly listed Companies, Insurance Companies and Dhaka & Chittagong Stock Exchanges with the collaboration of the Asian Development Bank (ADB). The Company received registration from the Securities & Exchange Commission (SEC) on 11th September 2001 under Depositories Regulations 2000 and subsequently obtained business commencement certificate on 23rd December 2003 from the SEC. The main objective of the Company is to assist listed companies in the handling of scriptless transfer of ownership of shares, debentures, mutual funds and also government bonds and treasury bills issued by the Bangladesh Bank.

Nature of Business: CDBL's core services cover the efficient delivery, settlement and transfer of securities through computerized book entry system i.e. recording and maintaining securities accounts and registering transfer of securities; changing the ownership without any physical movement or endorsement of certificates and execution of transfer instruments. The Central Depository System (CDS) operated by CDBL has proved to be a convenient and reliable means to settle securities transaction. The investor has been freed from the hassles of physical handling of certificates, errors in paper work and the risks associated with damaged, lost and forged certificates.

Principal products and services:

CDBL's principal services are Maintenance of Issuers Demat Registry, Settlement of Securities Transactions of the Stock Exchanges, Maintenance of Beneficial Owners (BO) Accounts, Effecting Corporate Actions, Fresh Issue of Shares, Transfers and Transmissions, Maintenance of Electronic Government Securities Registry of Bangladesh Bank, etc. In addition to these services CDBL has income from the Investment in the Money Market.

Products/service that accounts for more than 10% of the Company's total revenue:

There are three two services and income source of the Company, which contribute more than 10% of the Company's total revenue in the last accounting year. The following table illustrates the total turnover and respective percentage of the services and income source of CDBL that contribute more than 10% of the Company's total revenue:

Services/Income Source	For the year ended on 30th June 2009		For the year ended on 30th June 2010	
	Net Income Taka	Contribution to Total Revenue %	Net Income Taka	Contribution to Total Revenue %
Settlement of Securities transactions	508,073,544	52.52%	67,117,024	57.60%
Annual Account Maintenance	179,820,678	18.59%	71,185,335	18.01%
Money Market Investment Income	126,791,254	13.11%	62,065,334	10.77%

Use of IPO proceeds:

The proceeds of the shares shall be utilized for general business purposes of the Company including, funding of continuous up-gradation of CDBL's Central Depository System (CDS), buying or constructing a Headquarters building if it is financially beneficial to CDBL, investing in the bond and money markets and other allied activities in the advancement of the Capital Market of Bangladesh.

Information about Directors & Officers:

Directors of the Company

Name	Designation	Nominated by
Mr. Samson H Chowdhury	Chairman	Square Pharmaceuticals Limited
Mr. Fakhor Uddin Ali Ahmed	Director	Chittagong Stock Exchange Limited
Mr. Azam J Chowdhury	Director	Prime Bank Ltd
Mr. Syed Manzur Elahi	Director	Mutual Trust Bank Limited
Mr. Md. Fayekuzzaman	Director	Investment Corporation of Bangladesh (ICB)
Mr. M Zahid Hossain	Director	Asian Development Bank (ADB)
Mr. A K M Rafiqul Islam	Director	Bangladesh Insurance Association (BIA)
Mr. Md. Humayun Kabir	Director	Nationalized Commercial Banks (NCBs)
Mr. Md. Rezaul Karim	Director	Sadharan Bima Corporation
Mr. M. Fazlur Rahman	Director	AB Bank Ltd.
Mr. Salman F Rahman	Director	Bangladesh Association of Publicly Listed Companies (BAPLC)
Mr. Md. Shakil Rizvi	Director	Dhaka Stock Exchange Limited
Mr. A K M Shamsuddin	Director	Standard Chartered Bank
Mr. Mohammed Habibus Samad, FCA, CTA	Managing Director & CEO	

**** Until the nomination is revoked by the respective institutions.**

Ownership of the Company's securities as of 31st October 2010:

Name of the shareholder	Number of shares	% of Share Holding
Private Commercial and Specialized Banks		
A B Bank Limited	2,000,000	2.89%
Al-Arafah Islami Bank Limited	400,000	0.58%
Bank Asia Limited	400,000	0.58%
Brac Bank limited	800,000	1.16%
Dhaka Bank Limited	800,000	1.16%
Dutch-Bangla Bank Limited	800,000	1.16%
Eastern Bank Limited	800,000	1.16%
Export Import Bank of Bangladesh Limited	600,000	0.87%
First Security Bank Limited	200,000	0.29%
Grameen Bank	800,000	1.16%
International Finance Investment & Commerce Bank Limited (IFIC Bank)	800,000	1.16%
Islami Bank Bangladesh Limited	800,000	1.16%
Jamuna Bank Limited	400,000	0.58%
Mutual Trust Bank Limited	2,000,000	2.89%
Mercantile Bank Limited	400,000	0.58%
National Bank Limited	800,000	1.16%
National Credit & Commerce Bank Limited	400,000	0.58%
One Bank Limited	200,000	0.29%
ICB Islamic Bank (Formerly The Oriental Bank Limited)	200,000	0.29%
Prime Bank Limited	2,000,000	2.89%
Pubali Bank Limited	800,000	1.16%
The Premier Bank Limited	400,000	0.58%
Standard Bank Limited	400,000	0.58%
Southeast Bank Limited	400,000	0.58%
The City Bank Limited	800,000	1.16%
The Trust Bank Limited	600,000	0.87%
United Commercial Bank Ltd	800,000	1.16%
Uttara Bank Limited	200,000	0.29%
Social Investment Bank Limited (Social Islami Bank)	200,000	0.29%
Total	20,200,000	29.19%
Nationalized and Specialized Banks		
Agrani Bank	3,000,000	4.34%
Janata Bank	3,000,000	4.34%
Rupali Bank Limited	3,000,000	4.34%
Sonali Bank	3,000,000	4.34%
Bangladesh Development Bank (BDBL)	400,000	0.58%
Bangladesh Small Industries & Commerce Bank Limited (BASIC Bank)	400,000	0.58%
Total	12,800,000	18.50%

Foreign Commercial Banks		
Citibank N.A.	1,200,000	1.73%
Commercial Bank of Ceylon plc	1,200,000	1.73%
The Hongkong and Shanghai Banking Corporation Limited	1,200,000	1.73%
Standard Chartered Bank	3,600,000	5.20%
State Bank of India	400,000	0.58%
Total	7,600,000	10.98%
Publicly Listed Companies		
ACI Limited	400,000	0.58%
Alpha Tobacco Manufacturing Company Limited	200,000	0.29%
Apex Foods Limited	200,000	0.29%
Apex Spinning and Knitting Mills Limited	200,000	0.29%
Apex Tannery Limited	200,000	0.29%
Apex Footwear Limited	200,000	0.29%
Al-haj Textile Mills Limited	200,000	0.29%
Bangladesh Lamps Limited	200,000	0.29%
Beximco Pharmaceuticals Ltd	200,000	0.29%
Confidence Cement Limited	200,000	0.29%
Desh Garments Limited	200,000	0.29%
Eastern Housing Limited	200,000	0.29%
Kay & Que (Bangladesh) Ltd	200,000	0.29%
Keya Cosmetics Limited	200,000	0.29%
Prime Textile Spinning Mills Ltd	400,000	0.58%
Quasem Drycells Limited	200,000	0.29%
Renata Limited	200,000	0.29%
BEXIMCO Ltd	200,000	0.29%
Singer Bangladesh Limited	200,000	0.29%
Square Pharmaceuticals Ltd	2,000,000	2.89%
Stylecraft Limited	400,000	0.58%
Sonargaon Textiles Limited	200,000	0.29%
Tallu Spinning Mills Limited	200,000	0.29%
Total	7,000,000	10.12%
Asian Development Bank (ADB)	6,000,000	8.67%
Insurance Companies		
Bangladesh General Insurance Company Limited	200,000	0.29%
Central Insurance Company Ltd	200,000	0.29%
Delta Life Insurance Co Ltd	400,000	0.58%
Eastland Insurance Co Ltd	200,000	0.29%
Fareast Islami Life Insurance Co Ltd	200,000	0.29%
Green Delta Insurance Co Ltd	400,000	0.58%
Homeland Life Insurance Co Ltd	200,000	0.29%
Karnaphuli Insurance Co Ltd	200,000	0.29%
Meghna Life Insurance Co Ltd	200,000	0.29%

National Life Insurance Co Ltd	200,000	0.29%
Nitol Insurance Company Ltd	200,000	0.29%
Peoples Insurance Co Ltd	200,000	0.29%
Pioneer Insurance Co Ltd	200,000	0.29%
Popular Life Insurance Co Ltd	200,000	0.29%
Phoenix Insurance Co Ltd	200,000	0.29%
Prime Insurance Company Ltd	200,000	0.29%
Prime Islami Life Insurance Ltd	200,000	0.29%
Prograssive Life Insurance Ltd	200,000	0.29%
Pragati Insurance Limited	400,000	0.58%
Pragati Life Insurance Limited	200,000	0.29%
Reliance Insurance Limited	200,000	0.29%
Rupali Life Insurance Co Ltd	200,000	0.29%
Sandhani Life Insurance Co Ltd	200,000	0.29%
Total	5,200,000	7.51%
Dhaka Stock Exchange Limited (DSE)	2,000,000	2.89%
Chittagong Stock Exchange Limited (CSE)	2,000,000	2.89%
Others	4,000,000	
Non Banking Financial Institutions/Merchant Banks		
Bay Leasing & Investment Ltd	200,000	0.29%
E C Securities Limited	400,000	0.58%
GSP Finance Co (Bangladesh) Ltd	200,000	0.29%
Islamic Finance & Investment Ltd	200,000	0.29%
Lanka Bangla Finance Limited	200,000	0.29%
MIDAS Financing Limited	200,000	0.29%
Prime Finance & Investment Ltd	200,000	0.29%
People's Leasing and Financial Services Limited	200,000	0.29%
Premier Leasing International Ltd	200,000	0.29%
Uttara Finance & Investments Ltd	200,000	0.29%
Total	2,200,000	3.18%
Investment Corporation of Bangladesh (ICB)	2,000,000	2.89%
Sadharan Bima Corporation	2,000,000	2.89%
Apex Enterprises Limited	200,000	0.29%
Total	4,200,000	9.25%
Grand Total	69,200,000	100.00%

Performance at a Glance:

Tk. in million

Particulars	30.06.2006	30.06.2007	30.06.2008	30.06.2009	30.06.2010
Operating income	91.59	201.94	611.73	840.18	1343.32
Growth		120.48%	202.93%	37.34%	59.89%
Interest income	22.89	39.86	74.52	126.79	162.07
Growth		74.14%	86.94%	70.15%	27.82%
Other Income	0.00	0.00	0.00	0.46	0.00
Total Income	114.48	241.80	686.25	967.43	1505.38
Growth		111.21%	183.81%	40.97%	55.61%
Total Expenditure	64.36	71.25	107.59	89.73	106.23
Growth		10.71%	51.01%	-16.61%	18.39%
Profit Before Tax	50.13	170.55	578.66	877.70	1399.16
Growth		240.26%	239.28%	51.68%	59.41%
Provision For Income Tax	19.39	71.00	229.00	332.00	532.00
Growth		266.12%	222.54%	44.98%	60.24%
Net Profit After Tax	30.73	99.55	349.66	545.70	867.16
Growth		223.94%	251.22%	56.07%	58.91%
Dividend Paid Out (Cash)	-	-	34.60	86.50	34.60
Stock Dividend	-	-	-	-	346.00
Total Assets	403.13	560.40	1073.79	1542.36	2421.96
Growth		39.01%	91.61%	43.64%	57.03%
Net Assets	350.04	449.59	764.65	1223.86	2056.41
Growth		28.44%	70.08%	60.05%	68.03%
Net Tangible Asset Per Share	1011677.49	1299404.95	2209973.49	3537153.19	29.72
Growth		28.44%	70.08%	60.05%	-100.00%
Net Tangible Asset per share (number of shares of 69,200,000 including bonus shares of 2008-2009 issued at 1:1 ratio at Tk 10 each)	5.06	6.50	11.05	17.69	29.72
Growth		28.44%	70.08%	60.05%	68.03%
Net Tangible Asset per share (adjusted number of shares of 138,400,000 including proposed bonus shares at 1:1)	2.53	3.25	5.52	8.84	14.86
Growth		28.44%	70.08%	60.05%	68.03%
Earnings Per Share as per audited accounts (346 shares @ Tk 1,000,000 each up to 2009 and 69,200,000 shares @ Tk 10 each considering the effect of share split and bonus shares of 2008-2009 issued in 2009-2010)	88822.38	287727.46	1010568.53	1577179.71	12.53

Growth		223.94%	251.22%	56.07%	-100.00%
Earnings Per Share (weighted average number of shares of 69,200,000 including bonus shares of 2008-2009 issued at 1:1 ratio at Tk 10 each)	0.44	1.44	5.05	7.89	12.53
Growth		223.94%	251.22%	56.07%	58.91%
Earnings Per Share (adjusted weighted average number of shares of 138,400,000 including proposed bonus shares at 1:1)	0.22	0.72	2.53	3.94	6.27
Shareholders' Equity	350.04	449.59	764.65	1,223.86	2,056.41
Growth		28.44%	70.08%	60.05%	68.03%
No. of Shares	346	346	346	346	69,200,000.00
IPO	-	-	-	-	40,000,000
Post IPO Number of Shares	-	-	-	-	109,200,000
Number of shares after issuing 1:1 bonus	-	-	-	-	138,400,000

Net Tangible Assets per share

(As per audited accounts as on 30 June 2010)

Particulars	June 30 2010 Taka
Represented by	
Share capital	692,000,000
Retained earnings	1,364,410,655
Shareholders' equity	2,056,410,655
Security deposits (A)	72,555,000
Net worth (B)	2,128,965,655
Application of fund	
Fixed assets - at cost less accumulated depreciation	54,659,732
Current Assets	
Accounts receivable	358,200,310
Interest receivables	67,900,345
Deposits and pre-payments	1,415,920
Advances and loans	9,944,772
Cash and cash equivalents	1,929,838,605
	2,367,299,952
Less: Current Liabilities	
Creditors and other liabilities	99,624,361
Unearned revenue	24,943,058
Provision for income tax	168,426,610
	292,994,029
Net Current Assets (C)	2,074,305,923

Net Assets (D)	2,128,965,655
Number of Shares (E)	69,200,000
Net tangible assets per ordinary share (D-A)/E	29.72
Adjusted number of shares considering proposed bonus shares at 1:1 ratio for the year 2009-2010 (G)	138,400,000
Adjusted net tangible assets per ordinary share (D-A)/G	14.86

Determination of offering price:

Price determination is generally the function of interaction of supply and demand. However, in the Bangladesh stock market demand outstrips supply by many times resulting in distortion of share prices in many instances. As such CDBL's shares have been conservatively priced applying average of the following 3 valuation basis:

- Net Asset Value
- 5 years historical earnings per share and
- 3 years projected earnings per share

The result is a per share price of Tk. 61.25 as per the calculations detailed below:

Method -1: Share price based on Net Asset Value (NAV) per share		
Shareholders' equity and net asset value per share as of June 30, 2010		
Particulars		No.
No. of shares outstanding After Bonus		138,400,000
		Taka
Par value per share		10
Paid up capital After Bonus		1,384,000,000
Retained earnings as per Audited FS	1,364,410,655	
Less: Bonus shares	692,000,000	
Retained earnings for valuation purpose		672,410,655
Shareholders' equity		2,056,410,655
Net asset value per share		14.86

Method 2: Share price based on five years Historical Earnings per share		
Calculation of CDBL's five years historical average earnings per share (EPS)		
Particulars	Taka	Diluted EPS
Net profit after tax for the year ended June 30		
2006	30,732,545	0.22
2007	99,553,702	0.72
2008	349,656,712	2.53
2009	545,704,178	3.94
2010	867,155,651	6.27

Total	1,892,802,788	
Average Net Profit After Tax	378,560,558	
Shares Outstanding including proposed bonus shares for 2010	138,400,000	
Face Value of Shares	10	
Average Earnings per share	2.74	

The average price earnings ratio (P/E) for all the companies listed on the Dhaka Stock exchange during the same five years period from July 2005 to June 2010					
Market P/E (Month End)	2005-06	2006-07	2007-08	2008-09	2009-10
July	13.32	11.37	18.95	19.78	17.53
August	14.11	13.32	19.87	19.96	17.50
September	14.36	13.78	19.79	20.65	18.21
October	14.24	13.25	22.70	18.72	20.38
November	14.03	13.60	23.29	17.06	25.00
December	13.85	14.51	23.58	18.42	25.65
January	13.26	16.29	23.36	17.24	29.35
February	12.73	16.28	23.48	16.78	30.58
March	13.27	15.67	23.07	15.55	27.59
April	12.73	15.03	23.94	16.31	27.55
May	11.06	16.40	24.75	15.96	27.73
June	10.66	17.28	22.80	18.44	24.08
Total	157.62	176.78	269.58	214.87	291.15
Yearly Average	13.14	14.73	22.47	17.91	24.26
5-year average					18.50

Share price = 5 years historical average EPS X DSE P/E ratio	
	Taka
2.74X 18.50	50.69

Method 3: Share price based on Projected Earnings per share		
Calculation of CDBL's three years projected average earnings per share (EPS)		
Particulars	Taka	EPS Tk.

Net profit after tax for the year ended June 30		
2011	934,382,410	4.67
2012	979,606,119	4.90
2013	1,011,509,180	5.06
Total	2,925,497,709	
Average Net Profit After Tax	975,165,903	
Shares Outstanding including IPO Shares	200,000,000	
Face Value of Shares	10	
Average Earnings per share	4.88	

The average price earnings ratio (P/E) for all the companies listed on the Dhaka Stock exchange during the period from July 2009 to June 2010	
Market P/E (Month End)	2009-10
July	17.53
August	17.50
September	18.21
October	20.38
November	25.00
December	25.65
January	29.35
February	30.58
March	27.59
April	27.55
May	27.73
June	24.08
Total	291.15
Yearly Average	24.26

Offer price= 3 years projected average EPS X DSE P/E ratio	
	Taka
	After par value change
4.88X 24.26	118.38

Issue Price:

The issue price of CDBL shares has been determined as the average price of the three valuation basis as detailed below:

Calculation of Average Price of Shares of par value of Tk. 10	
Methods	Taka
Method 1: Net Asset Value	14.86
Method 2: 5 Yrs Historical EPS based Share Price	50.69

Method 3: 3 Yrs Projected EPS based Share Price	118.38
Total	183.93
Average Price	61.31

CDBL has decided to offer the shares to the public at an issue price of Tk. 60/- per share, which is at a 2.0% discount to the Average Price.

Risk factors & Management’s perception about the risks:

An investment in equity shares involves a high degree of risk. The Company is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments by the investors. All investors should carefully consider all of the information in this Prospectus, including the risk factors, both external and internal, and management perception about the risks enumerated hereunder before making an investment decision. If any of the following risks actually occur, the Company’s business, results of operations and financial condition could suffer, the trading price of its equity shares could decline, and investors may lose all or part of their investment.

(a) Interest rate risks:

Interest rate risk is concerned with borrowed funds of short term and long-term maturity. Interest rate risk is the risk that a company faces due to unfavorable movements in the interest rates. Volatility in money market and increased demand for loans/investment funds raise the rate of interest. A change in the Government’s monetary policy also tends to increase the interest rates. High rate of interest enhances the cost of fund of a company and could adversely affect the business and future financial performance. Such rises in interest rates mostly affect companies having floating rate loans.

Management perception:

CDBL operates with its own funds generated from its operation and does not have any long or short term debt. The project started with the Company’s own funds and capacity was expanded with its own funds. The management of the Company is focused on equity based financing without any dependency on borrowings. Therefore, management perceives that fluctuations of interest rate on borrowings would have no impact. However, lower interest rates for deposits will have negative impact on the Company’s interest income.

(b) Exchange rate risks:

Exchange rate risk occurs from fluctuations in foreign currency exchange rates.

Management perception:

Exchange rate risk is not a significant factor for CDBL since the Company’s income generation sources are all in local currency. However, CDBL has entered into Software Maintenance Agreement with CMC Limited, India and Hardware Maintenance Agreement with HP Singapore. Payment for the maintenance services are being made in US dollars exposing CDBL to exchange rate risks. Management perceives that fluctuations of exchange rate would have insignificant impact upon the overall performance of the Company.

(c) Industry risks:

Industry risks refers to the risks of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation.

Management perception:

CDBL is so far the sole provider of Central Securities Depository (CSD) services in Bangladesh. CDBL is by now well established to ward off competition from other CSDs that may be setup. Nevertheless competition will result in decline in CDBL's profitability.

(d) Market Risks:

Market risks refer to the risks of adverse market conditions affecting revenues and profitability of a company. Mostly, this risk arises from falling demand for the product or service which would harm the performance of the Company.

Management perception:

Any meltdown in transaction volumes at the stock exchanges will proportionately affect CDBL's profitability. Also, if at any time the basis of trade settlement at the stock exchanges is changed from the current trade for trade to multilateral netting as is the most common basis worldwide, in such a case CDBL's income from trade settlements, which constitutes around 72% of CDBL's Fee Income, will be slashed drastically. Consequently revenues and profit margin of CDBL will decline.

(e) Technology related Risks:

Technology always plays a vital role in any depository operations, ensuring better services to customers and minimizing cost of delivery. The production facilities of the Company are based on currently available technology. New inventions may cause technological obsolescence. Serious defects in equipment may affect production and profitability calling substantial investments in equipment & systems replacements.

Management perception:

CDBL is continuously upgrading its technological levels which are generally comparable to other depositories in neighboring countries. However, technological obsolescence as well as to cope with the current spiraling trend in stock exchange transaction volumes might requires CDBL to replace its existing depository system as well as hardware with high-cost superdome computer systems. CDBL has is building up resources to face up to such eventuality.

(f) Potential or Existing Government Regulations:

The Company operates under Companies Act 1994 and other related regulations, Depositories Act 1999, the Depository (User) Regulations 2003, Income Tax Ordinance 1984 and other related regulations. Any abrupt policy changes made by the regulatory authorities may adversely affect the business of the Company.

Management perception:

Unless any policy changes that may negatively and materially affect the capital market as a whole, the business of the Company will remain unaffected significantly.

(g) Potential changes in Global or National Policies:

Changes in the existing global or national policies can have either positive or negative impacts for the Company. The performance of the Company would also be hampered due to unavoidable circumstances both in Bangladesh and worldwide like political turmoil. The risks involved with potential changes in global or national policies is however large beyond the control of the Company.

Management perception:

Management of CDBL is always concerned about the prevailing and upcoming future changes in the global or national policies and shall respond appropriately and timely to safeguard the interest of the Company.

(h) History of Non Operation:

There is no history of non-operation in case of CDBL since its commercial operation started in October 2003.

(i) Operational Risks:

CDBL provides services through fully automated IT system. CMC Limited, India provided its Software application VeDAS (Versatile Engine for Depository Accounting System) and hardware is provided by HP Singapore. Network connectivity to Depository Participants, Issuers, Banks, Stock Exchanges and Bangladesh Bank is through Front End interfaces accessed by WAN link and dial-up telephone lines. Any disruption of maintenance services by the software and hardware providers as well as network connectivity may seriously affect the operation of the Company. Natural disasters, like earth quake, prolonged power outages, political turmoil can cause havoc to the operations of the Company.

Management perception:

CDBL has 24 x 7 Maintenance Service Agreements with CMC Limited, India and HP Singapore 24 x 7 maintenance service for its Software and Hardware respectively. Virtual Private Network (VPN) connectivity over the Internet is setup between CDBL and its software application provider, CMC Limited in Mumbai. This connectivity is helping CMC in troubleshooting, modification and enhancement of the Central Depository System (CDS) software run by CDBL directly from CMC Mumbai support desk.

Two 'Dark fibre' point-to-point links have been established with Chittagong Stock Exchange's new office location at Dilkusha, Dhaka connecting to CDBL's Main Data Centre at Kawran Bazar and Disaster Recovery (DR) Site at Topkhana in Dhaka. These two new links have been integrated with the three existing links connecting the Main Data Centre, DR Site and the Dhaka Stock Exchange at Motijheel, Dhaka to form a 'mesh' or 'grid' resulting in greater resilience/redundancy in case of the failure of one of the links.

The Public Switched Telephone Network (PSTN) dialup pool of CDBL for telephone dialup connectivity has now been established with 102 phone lines.

CDBL's operations are carried out in its Main Data Centre at Kawran Bazar, Dhaka which is linked to a remote Disaster Recovery Centre operating as a backup with data update taking place simultaneously at Topkhana, Dhaka. Contingency setup at Disaster Recovery Centre were thoroughly tested with CDS operations being run from the Disaster Recovery Site (DRS) with switchover to Main Data Centre also put through thorough tests on a number of occasions. CDS operations are now running at the Main Data Centre with DR Site put on standby.

(j) Management risk:

Turnover of key managerial personnel, executives and officers may have adverse impact on CDBL's business, operating results and future growth.

Management perception:

The Company places high priority in developing its human resources. Importance is given to relevant on-the-job, in-house and external training programs, so that the employees are well equipped with necessary skills. In line with these beliefs, remuneration packages to its employees of all cadres are competitive to encourage professionalism, stimulate team-work and promote innovation reinforced with high ethical standards. The Company is well reputed for providing a cordial and congenial working environment. The staff turnover is low and accounted for largely from employees going abroad for higher studies. The Company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment, increase in customer expectations and growing sophistication of technology and processes.

Succession strategy of the Company develops alternative leaderships in all areas of its activities. Therefore, the management of CDBL feels that Company is well prepared to handle the management challenges in the foreseeable future.

(k) Risk associated with capital market:

CDBL is highly exposed to the risks associated with capital market. Around 72% of CDBL's Fee Income comes from settlements of the trades at the stock exchanges. In the case of as such, any drop in trades at the stock exchanges will seriously impact CDBL's revenues as well as profit margin.

Also, if at any time the basis of trade settlement at the stock exchanges is changed from the current trade for trade to multilateral netting as is the most common basis worldwide, in such a case CDBL's income from trade settlements will be slashed drastically. Consequently revenues and profit margin of CDBL will decline.

An active trading market for CDBL's shares may not develop. The prices of CDBL's shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Dhaka and Chittagong Stock Exchanges.
- Results of operations and performance.

- Performance of Bangladesh economy and changes in government policies.

Management perception:

Bangladesh capital market in last two years has grown significantly. Experts view the Bangladesh market as one of the emerging markets in Asia. The Government has taken the development of securities market as a challenge and initiated a number of market friendly policies. Therefore, management's expectation is that the market will gradually mature and stabilize. Management also expects that the forthcoming developments in fiscal and environmental regulations will make the market more buoyant.