

# **Bangladesh Submarine Cable Company Limited (BSCCL)**

(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	: 24 June 2008
2. Date of Commercial operation	: 24 June 2008
3. Authorized Capital	: Tk. 10,000.00 mn
4. Paid up Capital (Pre-IPO)	: Tk. 875.09 mn
5. IPO-size at Face Value Tk. 10	: Tk. 310.00 mn
6. Post-IPO Paid-up Capital	: Tk. 1,185.09 mn
7. IPO-size at Offer Value Tk. 35	: Tk. 1,085.00

## Details of the Issue

Description	Ordinary Shares	Face Value per share	Offer Value In Taka	Premium Amount	Issue Size (Amount)
Public Offering	31,000,000	10	35	775,000,000	1,085,000,000

## Capital Structure:

<b>1</b>	<b>Financial structure prior to IPO</b>	
	Issued, subscribed and paid up capital as on 30-06-2011	<b><u>Tk. 875,091,700</u></b>
<b>2</b>	<b>Financial structure after IPO</b>	
a)	Issued, subscribed and paid up capital as on 30-06-2011	<b><u>Tk. 875,091,700</u></b>
b)	*Initial Public Offering (IPO) including Employees portion	<u>Tk. 310,000,000</u>
	Total paid up capital after IPO	<b><u>Tk. 1,185,091,700</u></b>

	Premium on IPO	Tk. 775,000,000
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**Issue Manager** : ICB Capital Management Ltd.

**Auditor** : Hoda Vasi Chowdhury And Co.

### Company at a glance

Bangladesh Submarine Cable Company Limited (BSCCL) (hereinafter referred to as the “Company”) was incorporated in Bangladesh as a public limited company on 24 June 2008 under the Companies Act 1994 with an authorized capital of Taka 10,000,000,000 divided into 100,000,000 ordinary shares of Taka 100 each. The Company obtained the Certificate of Commencement of Business from the Registrar of Joint Stock Companies and Firms on 24 June 2008. The Company is substantially owned by the Government of the Peoples’ Republic of Bangladesh and represented by various Ministries of the Government.

The Company was originated after separating from Bangladesh Telecommunications Company Limited (BTCL) (previously BTTB) with all assets situated at Zilonjha Cox’s-Bazar, the Landing Station. Before separation a project namely “Establishment of International Telecommunication System through Submarine Cable” was undertaken by BTCL participating in an international agreement with an International Consortium namely SEA-ME-WE 4 (South East Asia Middle East Western Europe).

A Vendor Agreement was executed between the representatives of the Government of Bangladesh (GOB) and the BSCCL on 30 June 2008 incorporating a statement of certain assets and liabilities as of 30 June 2008.

Two separate agreements namely Purchase and Lease Agreements were executed on 12 February 2005 between Government of Bangladesh (GOB) and Islamic Development Bank (IDB) for sale and lease back of project’s assets namely “Establishment of International Telecommunication System through Submarine Cable.” These agreements were executed in favor of BTCL by GOB in the absence of existence of BSCCL at that time. However, these two agreements have not yet been revalidated in favor of BSCCL.

Participation in Upgrade # 3: Starting with only 7.5 Gbps in 2006, Bangladesh has gradually built up its Submarine Cable Bandwidth to around 44.60 Gbps. At the same time, bandwidth utilization has been increased significantly. Considering the increasing demand of bandwidth of the country, BSCCL has participated in Upgrade#3 of SEA-ME-WE-4 consortium to achieve additional around 4 million MIU\*km capacity by investing 50 crore taka from it’s own fund. By February 2012, total bandwidth capacity of BSCCL will be 160 Gbps.

Development of second submarine cable in Bangladesh: Submarine cable is regarded as the main Telecommunications infrastructure and it is one of the most important components for building a Digital Bangladesh by the year 2021. Bangladesh is connected to the SEA-ME-WE-4 submarine cable system through a branch cable from Cox's Bazar to the main cable in the deep sea. Due to natural calamities and manmade reasons, existing submarine cable is vulnerable to disruptions due to cable cut and other incidents (such as repeater failure) of link outage. Therefore, an alternative submarine cable is required to add redundancy to the existing submarine cable network as well as for route diversity of International Circuits. On the basis of this, the Government is going to issue new license to build a second Submarine Cable System in the country.

#### **Important dates**

A Construction and Maintenance Contract signed with SEA-ME-WE-4 Consortium:	27-03-2004
A lease Agreement signed with IDB	: 12-05-2005
Vendors Agreement signed with the Govt.	: 30-06-2008
Date of Incorporation	: 24-06-2008
Commencement of Business	: 24-06-2008
1 <sup>st</sup> Annual General Meeting	: 12-12-2009

#### **Services of the company**

BSCCL has Submarine Cable Landing Station located at Jhilongja, Cox's Bazar from where Backhaul Service Provider (presently only BTCL) is connected. Clients can connect their fiber optic cable for IPLC (International Private Leased Circuits) service from co-location centers (Presently at Chittagong, Mohakhali, Dhaka and Moghbazar, Dhaka) of Backhaul Service Provider. Moreover, with a view to provide multiple options for backhaul connectivity, a co-location centre has been established in Cox's bazar Landing Station. BSCCL's valued clients can choose their backhaul provider who could directly connect their fibers at the co-location centre of BSCCL. BSCCL is the root service provider of submarine cable bandwidth and handles country's only submarine cable. Presently, BSCCL is providing the following services:

- Bandwidth service for different routes and different levels such as STM-1, STM-4, STM-16, etc. to the International Internet Gateway (IIG) companies through International Private Leased Circuits (IPLC).
- Bandwidth service for different routes and different levels such as STM-1, STM-4, STM-16, etc. to the International (Voice) Gateway (IGW) companies.

### Nature of business

The principal activities of the Company are to provide high capacity voice and data bandwidth to all-important places in Bangladesh to get facilitate of all the IT related services.

### Market for product & services

Currently BSCCL has no competitor in the Submarine Cable Telecom sector. BSCCL owns the only submarine cable of Bangladesh and is the sole supplier of bulk bandwidth. It has secured the permit/license from BTRC for providing service through the submarine cable. All the IIG and IGW companies would require taking lease of bandwidth from BSCCL as per their licensing guidelines and BTRC regulations. Through bandwidth business, BSCCL is already making profit at the level of Tk.22.55 crore (Per year) and its bandwidth growth rate is 20% per year. It has already submitted a proposal to the concerned ministry for second submarine cable and its ownership. Therefore, BSCCL has a very strong position in the Telecom market.

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

The relative contribution to sales and income of the services that accounts for more than 10% of the Company's total revenue are mentioned below:

Name of the Service	As on 30-06-2011	% of contribution to income
IPLC Service	Tk. 83.78 crore	99%

### Sources of, and Requirement for, Power, Gas & Water:

Sl. No.	Item	Sources	Requirements/Remarks
1	Power (Electricity)	Bangladesh Power Development Board	<b>30,000 KWH per month</b>
2	Gas	Not required	Not applicable
3	Water	Own Deep Tube Well	Not available

- The Company has own Power Generation Plant of two 380 KVA to provide backup at the time of power interruption. The company has also battery backup for power generation.

### Customer providing 10% or more revenues

The Company's products/services are sold to various customers. The main customers are as follows:

Name of Customer	Amount of Revenues (Tk.)	Percentage of Total Revenues
<b>Bangladesh Telecommunications Company Ltd.</b>	61,21,72,734.00	75.30 %
<b>Mango Teleservices Limited</b>	8,20,07,755.20	10.09 %

### Financial lease/Loan commitment

Company has taken finance lease from IDB. The detail is given below:

Name of Institute	Type of Loan	Amount of Loan	Rate of Interest	Sanction Date	Installment Amount	Outstanding Balance
Islamic Development Bank	Purchase	US\$ 60,000,000 (Tk.4,200,000,000)	Fixed Rate (2.40%) + Libor rate	28-12-04	US\$ 3,529,666.67 (Tk. 259,359,907)	US\$ 24,707,666.63 (Tk. 18,15,519,344) BTCL (56.63%) Tk. 10,28,128,604 BSCCL (43.37%) <b>Tk. 787,388,380</b>

### Information about directors & Involvement in Other Companies

Sl. No.	Name	Position in the Company	Respective Ministry & Designation
1.	Mr. Sunil Kanti Bose	Chairman	Secretary, Ministry of Post & Telecommunications
2.	Mr. Syed Monjurul Islam	Director	Additional Secretary, Ministry of Finance
3.	Mr. Rabindra Nath Roy Chowdhury	Director	Joint Secretary, MoSICT
4.	Col. Shahriar Ahmed	Director	Colonel (Admin), DSCSC, Mirpur Cantonment, Dhaka.
5.	Mr. Asif Ibrahim	Director	President, Dhaka Chamber of Commerce & Industry.
6.	Dr. Raqibul Mostafa	Director	Associate Professor, United International University.
7.	Mr. Md. Monwar Hossain	Managing Director	CEO, BSCCL

### Directors Involvement in Other Companies

The follow table shows the details list of Directors and their involvement in other Companies.

Sl. No.	Name of Directors	Name of Organization	Position
1	Mr. Sunil Kanti Bose	BTCL, TSS, TELLETALK, BKSSL	Chairman
2	Syed Monjurul Islam	BTCL. North West Zone Power Co. Ltd. IFIC Bank Limited Jamuna Oil Co. Ltd. Bangladesh Services Ltd. Industrial Promotion & Development Co. Ltd.	Director Director Director Director Director

3	Mr. Asif Ibrahim	Dhaka Chamber of Commerce and Industry (DCCI).	President Chairman
		Standing Committee of RDTI (Research and Development), Bangladesh Garment Manufacturers and Exporter's Association (BGMEA).	Chairman
		Standing Committee of Information Technology and Web Portal Bangladesh Garment Manufacturers and Exporters Association (BGMEA).	Network Member
		Executive Forum, International Trade Center (ITC), Geneva.	Member
		High Power Committee on WTO issues, Ministry of Commerce.	Member
		Balloting, Handicap, Indoor Sports Committee, Kurmitola Golf Club.	Member
		Balloting, Billiards and Snooker, Golf Sub-committee, Dhaka Club Limited.	

#### Family Relationship among the Directors

There is no family relationship amongst Directors and Officers.

#### Ownership of the Company's Securities

Name of the shareholder	Represented by	No. of Shares
Ministry of SCIT, GOB	Mr. Rabindra Nath Roy Chowdhury	20
Ministry of Finance, GOB	Mr. Syed Monjurul Islam	20
Mirpur Institute of Science & Technology	Col. Shahriar Ahmed	20
Dhaka Chamber of Commerce & Industries	Mr. Asif Ibrahim	20
United International University	Dr. Raqibul Mostafa	20
Bangladesh Submarine Cable Co. Ltd. (BSCCL)	Mr. Md. Monwar Hossain	20
Ministry of Post & Telecommunications, GOB	Mr. Sunil Kanti Bose	87,509,050
<b>Total</b>		<b>87,509,170</b>

Performance at a Glance:

**Bangladesh Submarine Cable Company Limited**

**Performance at a Glance:**

Particulars	30.06.09	30.06.10	30.06.11
Revenue	435.95	603.37	837.79
<i>Growth</i>		38.40%	38.85%
Direct Operating Cost	154.85	144.44	133.78
<i>Growth</i>		-6.72%	-7.38%
Gross profit	281.10	458.93	704.01
<i>Growth</i>		63.26%	53.40%
Operating Expense	90.28	72.51	90.29
<i>Growth</i>		-19.68%	24.52%
Financial Expense	68.22	37.27	28.48
<i>Growth</i>		-45.37%	-23.58%
Operating Profit	190.82	386.42	613.71
<i>Growth</i>		-302.50%	58.82%
Net Profit	115.55	346.59	305.1
<i>Growth</i>		-199.95%	-11.97%
Total Assets	2,228.99	2,292.78	2,664.06
<i>Growth</i>		2.86%	16.19%
Net Assets	953.35	1,232.62	1,537.72
<i>Growth</i>		29.29%	24.75%
NAV per share	6,809,642.86	18.31	17.57
<i>Growth</i>		-100.00%	-4.04%
EPS	825,357.14	5.15	3.49
<i>Growth</i>		100.00%	-32.29%
EPS (restated )	1.32	3.96	3.49

Contd.

<b>Particulars</b>	<b>30.06.09</b>	<b>30.06.10</b>	<b>30.06.11</b>
Shareholders Equity	953.35	1232.62	1537.72
No. of Shares	140	67,314,780	87,509,170
Face Value	100	100	10
Post IPO Shares			118,509,170
ROE	12.12%	28.12%	19.84%
ROA	5.18%	15.12%	11.45%
Net Profit Margin	26.51%	57.44%	36.42%
Asset Utilization	19.56%	26.32%	31.45%
Equity Multiplier	2.34	1.86	1.73
Short-term Debt	299.91	281.26	329.50
Long-term Debt	975.73	778.92	796.83
Total Debt	1275.64	1060.18	1126.33
Total Debt to Total Asset	57.23%	46.24%	42.28%
STD to Total Capital	13.46%	12.27%	12.37%
LTD to Total Capital	43.77%	33.97%	29.91%
Interest Expense	68.22	37.27	28.48
Net Profit Before Tax	115.55	348.62	544.79
EBIT	115.55	348.62	544.79
Time Interest Earned Ratio	2.80	10.37	21.55
Avg. Accounts Receivable	113.26	189.22	181.73
Avg. Total Assets	2228.99	2292.78	2664.06
Accounts Receivable Turnover Ratio	3.85	3.19	4.61
Asset Turnover Ratio	0.20	0.26	0.31
Debt to Equity Ratio	1.02	0.63	0.52
Current Assets	164.69	369.8	391.76
Current Liabilities	299.91	281.26	329.5
Current Ratio	0.55	1.31	1.19
Quick Ratio	0.55	1.31	1.17
Current Asset - Advances and Deposits	164.44	369.58	386.05
Note: Reported by the company			

## Net Asset Value per share

### Net tangible assets per ordinary share

We have examined the following calculation of net tangible assets per ordinary share of Bangladesh Submarine Cable Company Limited as at 30 June 2011.

Based on our examination, we certify that these have been correctly extracted and arrived at on the basis of audited financial statements of the Company as at 30 June 2011.

	30-Jun-2011
<b><u>Shareholders' equity:</u></b>	
Share capital	875,091,700
Tax holiday reserve	235,490,031
Revaluation reserve	164,654,032
Retained earnings	262,487,328
	<b>1,537,723,091</b>
<b><u>Net tangible assets:</u></b>	
Property, plant and equipment - net of accumulated depreciation	1,782,937,573
Work in progress	487,551,230
Preliminary expenses	1,809,690
Current assets	391,760,610
<b>Total assets</b>	<b>2,664,059,103</b>
Less: Total liabilities	
Long term liabilities	796,834,488
Current liabilities	329,501,523
	<b>1,126,336,011</b>
Net assets	<b>1,537,723,091</b>
Less: Preliminary expenses	1,809,690
<b>Net tangible assets (A)</b>	<b>1,535,913,401</b>
<b>Number of ordinary shares of Taka 10 each (B )</b>	<b>87,509,170</b>
<b>Net tangible assets per ordinary share of Taka 10 each (A / B)</b>	<b>17.55</b>

## Determination of offer price

Particulars	Amount (in Tk.)
Method 1(a): Net Asset Value (NAV) per share	17.57
Method 1(b): Net Asset Value (NAV) per share without considering asset revaluation	15.69
Method 2: Historical Earnings based value per share	55.85
Method 3: Valuation with reference to average market price of similar stocks ( P/E)	135.06
Method 4: Valuation with reference to average market price of similar stocks (P/BV)	69.79

In consideration of the above, the management of BSCCL believes that the issue price of Tk. 35.00 is justified.

### Calculations of Methodologies

#### **Method 1: Share price on Net Asset Value (NAV)**

Sl. No.	Particulars	Amount	Net Amount
a)	Share capital		875,091,700.00
b)	Tax holiday reserve		235,490,031.00
c)	Revaluation Reserve		164,654,032.00
d)	Retained Earnings		262,487,328.00
<b>Total Shareholders' Equity</b>			<b>1,537,723,091.00</b>
Number of shares			87,509,170
<b>Net Assets Value per Share at BDT 10 per share</b>			<b>17.57</b>
<b>Net Assets Value per Share without considering asset revaluation at BDT 10 per share</b>			<b>15.69</b>

#### **Method 2: Historical Earnings based value**

FY	Net Profit after tax	Weight	Weighted Average profit
2008-09	115,546,269.00	0.15	17331940.35
2009-10	346,585,079.00	0.45	155,963,285.55
2010-11	305,104,691.00	0.40	122,041,876.40
<b>Total</b>	<b>767,236,039.00</b>	<b>1.00</b>	<b>295,337,102.30</b>
No. of shares as on 30 June 2011			87,509,170
Weighted average EPS			<b>3.37</b>
DSE overall P/E as on 30 June 2011			16.55
<b>Earning Based Value</b>			<b>55.85</b>

Based on the above calculation, the weighted average net profit after tax stands at Tk. 295,295,082.89 and weighted average EPS is Tk.3.37. If we consider the share price of the Company on the basis of price earnings multiple of 16.55 (Overall market P/E =16.55; Source; DSE Monthly Review as on 30-06-2011), the earning based value of shares of the Company stands at Tk. 55.85.

#### **Methods 3 & 4: Valuation with reference to Average Market Price of Stocks in IT and Telecommunication Sector**

We have used P/E & P/BV Ratio which is based on reference of market price of similar stocks. Both the methods are shown in the same table below. We have considered five (5) companies in IT and Telecommunication sector. In order to eliminate the impact of regular price variations, we have considered twelve months average price of the comparables in determination of their P/E and P/BV multiples covering a period from July 2010 to June 2011.

Average P/E ratio as well as P/BV ratio for the similar stocks is determined as under:

i	ii	iii	iv = (ii / iii)	v	vi = (ii /v)
<b>Company Name</b>	<b>12 months Avg. Price ( July, 2010 to June, 2011) in Tk.</b>	<b>EPS as on June 2011</b>	<b>P/E Ratio ( Avg. price/EPS)</b>	<b>NAV as on June 2011</b>	<b>P/BV Ratio (Avg. price/NAV)</b>
<b>Grameen Phone Ltd.</b>	207.20	7.93	26.13	35.57	5.83
<b>Agni System Ltd.</b>	55.46	1.73	32.06	13.54	4.10
<b>ISN Ltd.</b>	39.48	1.07	36.90	17.24	2.29
<b>BD Com Online Ltd.</b>	48.42	1.16	41.74	11.62	4.17
<b>Daffodil Computers Ltd.</b>	36.87	0.58	63.56	10.59	3.48
<b>Average</b>			<b>40.08</b>		<b>3.97</b>

**Method 3** : Value based on average P/E ratio (Weighted average EPS before IPO X Average P/E ratio of similar company) or  $(40.08 \times 3.37) = 135.06$

**Method 4** : Value based on average P/BV ratio (NAV before IPO X Average P/BV ratio of similar company) or  $(17.57 \times 3.97) = 69.79$

### **Risk factors & Management's perceptions about the risks**

There are both external and internal risk factors having direct as well as indirect effects on the investment by the investors. The assessable risk factors and Management perception are described hereunder:

**Interest rate risk:** Interest rate risk is the risk borne by an interest-bearing asset, such as a loan, due to variability of interest rates. Submarine Cable Project was implemented with a loan of 60 (sixty) million USD from Islamic Development Bank (IDB). Out of the 18 installments, 11 had been paid by now. Interest rate of the loan is fixed and it is very competitive. So risk is very nominal in this case.

**Management perception:** Management of the company is emphasizing on financing from capital market to reduce dependency on loan. In case of taking loan, Company always careful to maintain fixed interest rate or in taking variable interest rate for short term. Moreover, Company maintains very good reputation in the Banking community to attract very competitive rates from the Banks.

**Exchange Rate Risk:** BSCCL has to pay the installment of IDB loan and also pays annual Operation & Maintenance cost to SMW-4 consortium in USD. There is a risk that the amount will be affected by changes in exchange rates.

**Management perception:** Company is totally aware of the risk and intends to develop a set of controls to monitor exchange rate risk and ensure appropriate position taking.

**Industry Risk:** Government and stakeholders are creating pressure to reduce IPLC charges that might reduce the total revenue to the company.

**Management perception:** Demand is increasing day-by-day regarding data and voice service and it will also increase with decrease of price that will result higher volume of sales. This will increase the sale of bandwidth and thereby increase revenue of the company.

**Market and Technology related-risks:** If the Government decides to provide license in private sector for terrestrial cross border transmission which has cheaper rate, the company may face competition. The most crucial risk in IT sector is rapid technology change. At present the world is going through technological revolution. Any serious defect in the equipments may affect the service. On the other hand, there are less strong access network which is a constraint to distribution of data and voice service all over the country, specifically to rural areas.

**Management perception:** At present BSCCL has no competitor in the Submarine Cable Telecom sector. BSCCL owns the only submarine cable of Bangladesh and is the sole supplier of bulk bandwidth. It has secured the permit/license from BTRC for providing service through the submarine cable. So, the market risk is absent here. The SMW-4 consortium uses DWDM technology, which is the latest technology in fiber optic communication. Development on this technology is ongoing all over the world and BSCCL is in line with the change. For example, BSCCL is going to implement 40 G technology for the Up gradation # 3 projects. At the same time, Government is taking initiatives to spread the access network all over the country for broadband internet services. However, the company has been using the latest technology and has the provision to update system only through changing terminal equipments. Already the system has been upgraded three times which has enhanced capacity and efficiency. It is forecasted that within next 10 (ten) years no notable investment is required for existing infrastructure.

**Potential or existing Government regulations:** BTRC might issue license to another organization (private or public) to provide submarine cable bandwidth.

**Management perception:** Business diversification and expansion regarding service location is under active consideration of management.

**Potential change in global or national policies:** Foreign operators might be permitted to provide IPLC service, which will create huge competitions.

**Management perception:** As mentioned earlier, business diversification and expansion regarding service location is under active consideration of management. Again, there is a plan of BSCCL to provide transit links to neighboring country. This will require Government Permission to export unused/spare bandwidth to earn foreign currency for the country & for the company.

**Operational Risk:** Presently Bangladesh has only one submarine cable system, and if the submarine cable is cut, the country would suffer in terms of voice and data communication for at least 7-10 days till the cable can be repaired. Although we shall be able to continue small magnitude of communication through our satellite system but that will be much less in comparison to Submarine Cable. BSCCL can cope with such situation through diversion facilities availed through other submarine cables.

**Management perception:** There is a plan of BSCCL for building a second submarine cable, which is under active consideration of Government.

