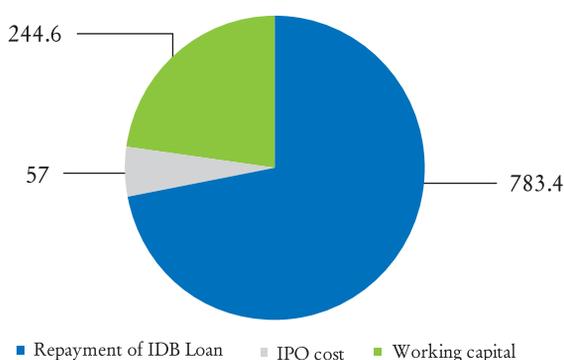


Bangladesh Submarine Cable Company Limited

Issue Price	35
Face Value	10
Market Lot	100
Credit Rating (Long Term)	AAA
Credit Rating (Short Term)	ST-1
Market Category	N

Manager to the Issue	ICB Capital Management Limited
Public Offer	31 Million Shares
Subscription Open	March 18, 2012
Subscription Close	March 22, 2012
NRB Subscription Close	March 31, 2012

Use of IPO Proceeds (BDT. mn.)



Source: Company Prospectus

Company Profile

Bangladesh Submarine Cable Company Limited (BSCCL) is a telecommunications infrastructure service provider primarily through the international submarine cable and domestic high capacity optical fiber network in Cox's Bazar. The service provided by BSCCL represents the gateway communication between Bangladesh and the rest of the world. The company was incorporated in Bangladesh as a public limited company on June 24, 2008 under the Companies Act 1994 with an authorized capital of TK. 10,000 million and paid up capital of TK. 675.10 million. The company is fully owned by the Government of the Peoples' Republic of Bangladesh (before IPO) and represented by various Ministries of the Government. The Company originated after separating from Bangladesh Telecommunications Company Limited (BTCL; previously BTTB) with all assets situated at Jhilongja 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 June 30, 2008 incorporating a statement of certain assets and liabilities as of June 30, 2008. Two separate agreements namely Purchase and Lease Agreements were executed on February 12, 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. It is mentionable here that, these two agreements have not yet been revalidated in favor of BSCCL. However, since then the IDB loan is repaid by the two companies in the ratio of BTCL (57%) and BSCCL (43%) as per asset distributions by the Government through the vendor agreements. The principal activities of the Company are to provide high capacity voice and data bandwidth to all-important places in Bangladesh to get the benefits of all IT related services.

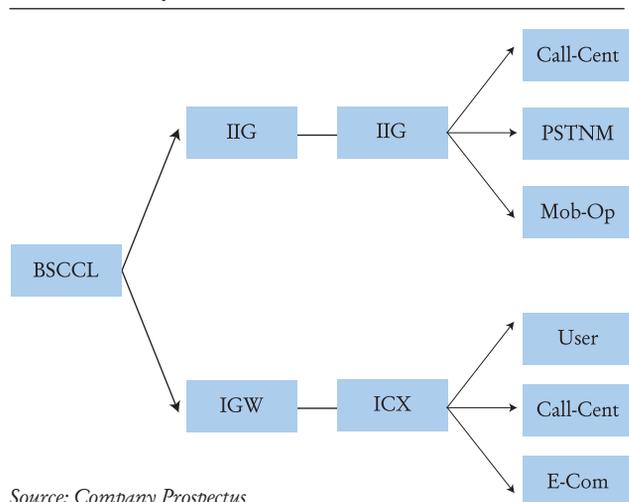
Use of IPO Proceeds

BSCCL is transformed from a development project of erstwhile BTTB (presently BTCL). The project was carried out mainly through an IDB (Islamic Development Bank) loan of USD 60 million. The part of the loan utilized for submarine cable construction for Bangladesh was 35.3 million USD. The rest of the loan amount was utilized for other projects, which were taken over by BTCL. As per the condition of the loan (lease), it has to be repaid through 18 equal installments & two installments per year. The company has so far paid 11 installments of IDB loan in time and planed to repay the remaining outstanding installments of IDB Loan for BDT 783.4 million from the proceeds of IPO.

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Internet Gateway Business Model



Source: Company Prospectus

Business Model

BSCCL has Submarine Cable Landing Station located at Jhilingja, 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.

BSCCL is authorized to sell or lease Bandwidth to the followings, within the framework of the Licensing Guideline and with the approval of the Bangladesh Telecommunication regulatory Commission.

1. All IIG (International Internet Gateway) Companies (Presently, BTCL & Mango Teleservices Ltd).
2. All IGW (International Voice Gateway) companies (Presently, BTCL, Bangla Trac Communication Ltd., Mir Telecom, & Novotel Ltd.).
3. Any other corporate users interested in IPLC connections with substantially large bandwidth.

BSCCL Enjoys Monopoly

Currently BSCCL has no competitor in the Submarine Cable Telecom sector, as it 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. The company 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. This monopoly status enables it to en-cash huge future growth of internet and mobile usage in Bangladesh.

Bandwidth Growth is Imperative

Bangladesh has observed phenomenal growth of bandwidth utilization in last three years. The 3-year CAGR bandwidth growth in data segment was 71.68% and 3-year CAGR bandwidth growth in voice segment was 27.93%. BSCCL has already enhanced its bandwidth capacity from 44.60 GBPS to 144 GBPS seeing future demand.

Bandwidth Utilization in GBPS

	2008-09	2009-10	2010-11	2011-12 (till September)
Data	2.48	5.89	11.935	12.55
Voice	5.11	8.06	9.3	10.7
Total	7.59	13.95	21.23	23.25

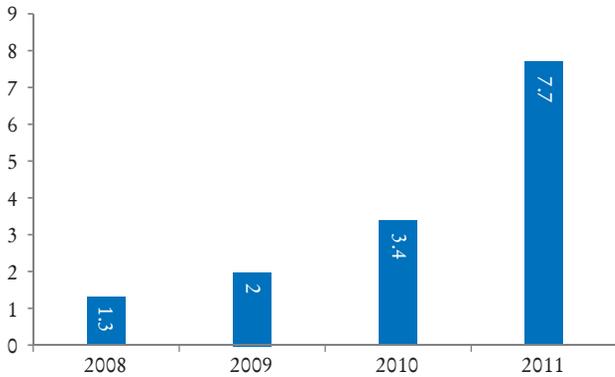
Source: Company Prospectus

This high growth in data segment is expected to continue in coming years. Data use in our country is at a very early stage. Internet penetration rate is only 5%. This penetration level will go up. Internet penetration of India, Sri Lanka and Pakistan are 10.20%, 11.8% and 15.5% respectively. If we look at the developed countries these rates are higher. In Japan, internet penetration rate is 80%. Therefore, we can easily assume that the use of internet will keep growing at a good rate. Our population is very young. 32% person of the population is below 14 years old and 64% of the population is of the age between 15 to 64 years. This young population with increasing education and income level will be demanding more and more data.

For a developing country like Bangladesh, increased internet use is necessary. Broadband, as a tool for efficient information exchange and a platform for the provision of high-end business and social services, is considered one of the fundamental propellers of national economic development. Economies of Europe, North America and much of Asia have witnessed the significant economic benefits by way of using broadband technologies for several strategic applications. It is no secret, that with broadband access, worker productivity increases, jobs skills are enhanced and diverse opportunities are created alongside growth in wages and subsequent higher efficiency of the economy.

The economic benefits of broadband can also be attributed to indirect factors, including increased e-commerce, reductions in commuting needs, increased demand and consumption of entertainment, internet telephony, savings in healthcare and benefits associated with sophisticated telemedicine and distance learning services. For the enterprise sector, the economic benefits result from efficiencies in the distribution of goods, better management of franchised services and quicker dissemination of information. Thus, the economic benefits of broadband arise from both direct and indirect sources.

Internet Subscribers in Bangladesh (mn)



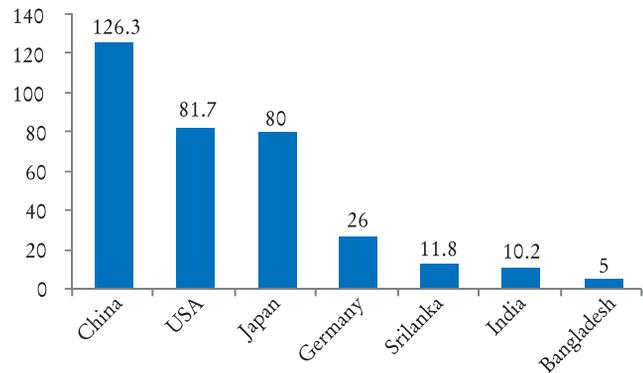
Source: Internet World Stats

Voice segment growth is also eminent. Bangladesh market has scope for mobile penetration. Penetration rate is 52.79%, which is low if we see countries like India, Pakistan and Sri Lanka who have around 60% penetration and that figure is growing every year. On the other hand, countries like Vietnam, Malaysia and Colombia have around 100% penetration. So it can be fairly assumed that mobile penetration rate of Bangladesh will reach around 70% - 80%.

This penetration level of 52.7% is not actual penetration because many people have more than one SIM. The actual penetration would be around 30% to 35%. Given the current demographic condition and poverty level, this penetration will go up to 60%-65% that means 80%-85% including the multi SIM users.

We believe Bangladesh’s telecom sector is poised to benefit from Bangladesh’s favorable demographic profile and macroeconomic environment with increasing export, remittance inflow,

Internet Penetration (%)



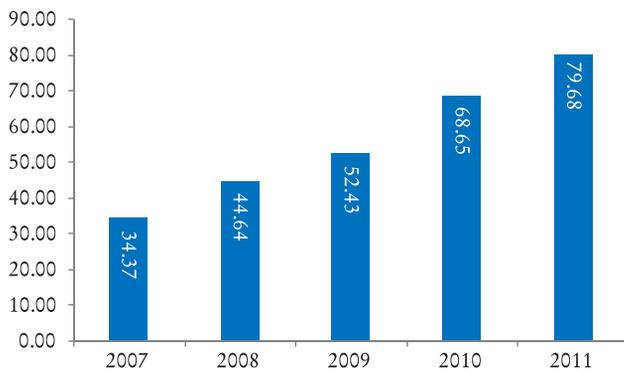
Source: ITU

government spending and initiatives to increase employment in the country.

Bangladesh has favorable demographics with 1.5% population growth and 31% of the population below the age of 14. Bangladesh’s young and fast growing population is beneficial for the telecom sector as all are potential customers. Also a young and fast growing population will continue to support Bangladesh’s labor force and this, in turn, will support healthy GDP growth. This, in our view, is supportive of the top line growth of the telecom sector.

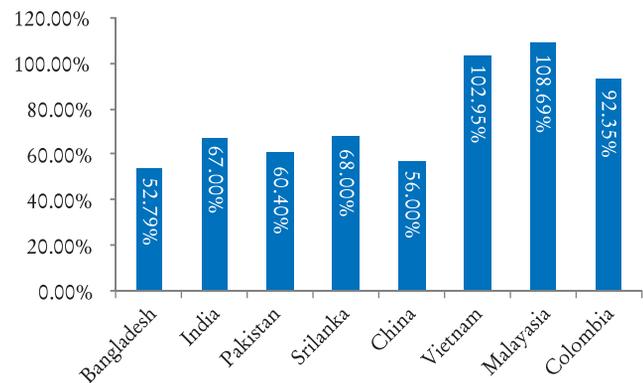
One can fairly assume that main growth in subscriber will come from rural areas. 72% of Bangladesh population resides in rural areas where mobile penetration is still low. We can see these days all major players have targeted the rural areas. The availability of cheap handsets and low SIM price is conducive to this purpose.

Number of mobile subscribers in Bangladesh (mn)



Source: BTRC

Mobile Penetration



Source: ITU

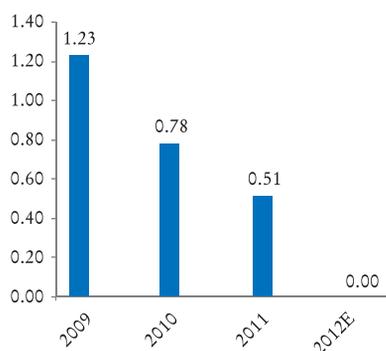
Low Financial & Operating Leverage

BSCCL carries a very small debt burden in its balance sheet. Only long-term loan is taken from ADB, currently carries the balance of BDT. 500 million. According to data from 2011, the company holds 0.51 times leverage compared to its equity. Overall

trend of leverage is downward. Interest coverage ratio of the company stands at 10.71 times in 2011, which indicates strong debt servicing capability.

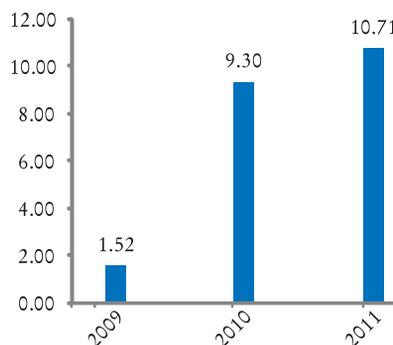
Cost to income ratio of the company indicates a very lean business operation. Cost to income ratio of the company has come down to 12.83% in 2011 from 15.80% in 2010.

Debt to Equity Ratio



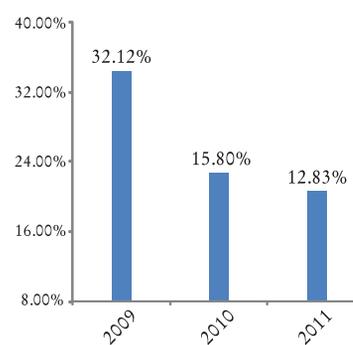
Source: LBSL Research

Interest Coverage Ratio



Source: LBSL Research

Cost to Income Ratio



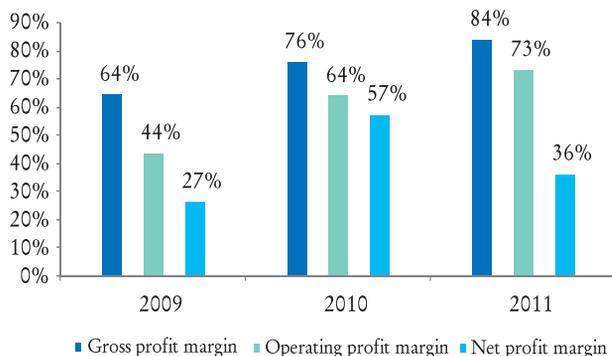
Source: LBSL Research

High Profitability & Margin

BSCCL generates significant profit margin from selling bandwidth to clients. According to latest data from the financial statement of the company, BSCCL generated 84% gross profit

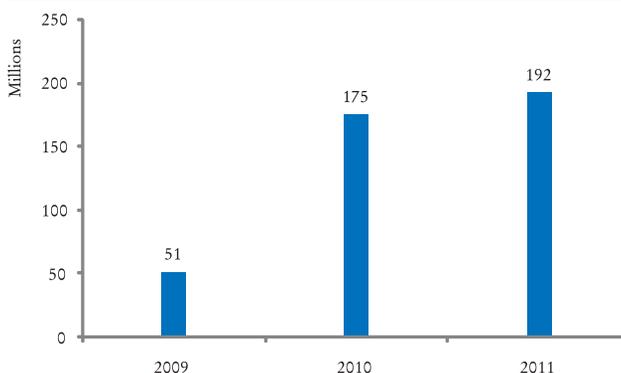
margin, 73% operating profit margin and 36% net profit margin. The company will not have to incur additional expenditure to generate marginal revenue. We believe that the robustness of this margin will continue in foreseeable future.

Profitability



Source: LBSL Research

Cash and Cash Equivalents



Source: LBSL Research

Strong Cash flow, Low CAPEX Requirement

The business model of BSCCL and its balance sheet suggests that in forthcoming future the company is likely to become a cash generating growth company. Overall, operating and financial leverage is minimal. According to the data provided by the BSCCL management, expected capital expenditure up to 2014 will be approximately BDT. 3.46 billion. This amount will be spent to expanding the capacity of the existing cable

from 44 gigabyte to 144 gigabyte, Building two terrestrial Cable link (Cox's Bazar-Comilla-Agortola and Rangpur-Dhubri Gawhati) for providing transit service to Neighboring Country, Obtaining IIG license, Building 2nd Submarine Cable with New Consortium which will have capacity of approximately 340 gigabyte and some additional fixed assets.

Currently BSCCL approximately 23 gigabyte of internet bandwidth. With the new addition of bandwidth and expansion, BSCCL will be able to support significant additional revenue without further capex.

PPE Schedule



Source: LBSL Research

Export Potential

BSCCL has proposal from Indian government to supply internet bandwidth to the eastern and northeast part of India. Primarily BSCCL is expected to supply 10.0 Giga Bytes of

Total CAPEX Requirement Up to 2014

CAPEX Requirements	BDT mn.
Capacity Enhancement of Existing Cable	500
Building Two Terrestrial Cable Link (Cox's Bazar-Comilla-Agortola and Rangpur-Dhubri Gawhati for providing transit service to Neighboring Country)	400
Obtaining IIG license	30
Building 2nd Submarine Cable with New Consortium	2500
Addition to Fixed Assets	30
Total	3460

Source: Company Prospectus

internet bandwidth in these areas. Eastern part of India does not have any access to sea. So, BSCCL has large potential to export internet bandwidth in the eastern part of India as the cheapest provider.

Income Statement (Figures in BDT mn.)	2009	2010	2011
Revenue	435.95	603.37	837.79
IPLC rent	434.34	601.89	827.81
Circuit activation charge	1.61	1.48	9.98
Direct Operating Cost	154.85	144.44	133.78
Gross Profit	281.1	458.93	704
Other Operating Expenses	90.28	72.51	90.29
Operating Profit	190.82	386.42	613.71
Non Operating (expenses)/Income	-75.27	-37.8	-68.92
Net Profit Before Tax	115.55	348.62	544.79
Less Income Tax Expenses	0	2.03	239.68
Net Profit After Tax	115.55	346.59	305.1

Balance Sheet (Figures in BDT mn.)	2009	2010	2011
Shareholder's Equity	953.35	1232.62	1537.72
Long Term Liabilities:	975.73	778.92	796.83
Current Liabilities	299.91	281.26	329.50
Total Liability and Equity	2228.99	2292.79	2664.06
Net Property plant and equipment	2060.68	1920.27	2270.49
Preliminary expenses	3.62	2.71	1.81
	0.00	0.00	0.00
Current assets	164.69	369.80	391.76
Total Asset	2228.99	2292.79	2664.06

Key Ratios	2009	2010	2011
Cost to Income Ratio	32.12%	15.80%	12.83%
Interest Coverage Ratio	1.52	8.19	10.71
Debt to Equity	1.23	0.78	0.51
	2009	2010	2011
Gross Profit Margin	64%	76%	84%
Operating Profit Margin	44%	64%	73%
Net Profit Margin	27%	58%	36%
	2009	2010	2011
ROAE		31.7%	22.0%
ROAA		15%	12%
EPS(Considering After IPO Shares)	0.97	2.92	2.57
BVPS (Considering After IPO Shares)	8.04	10.40	12.97

Source: LBSL Research

LBSL's research reports are also available on

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