

Issue Price	BDT 24	Manager to the Issue	: LankaBangla Investments Ltd.
Face Value	BDT 10	Public Offer	: 21.57 Mn Shares
Market Lot (Shares)	250	Subscription (Open)	: April 01, 2012
Credit Rating (Short Term)	ST-3	Subscription (Close)	: April 05, 2012
Credit Rating (Long Term)	A	NRB Subscription (Close)	: April 14, 2012
Market Category	N	Free Float	: 51%

Source: Company Prospectus & Credit Rating Report

## COMPANY PROFILE

aamra Technologies Ltd (ATL) was incorporated as a Private Limited Company named 'Texas Electronics Limited' on 14th March, 1990 to process data, CAD/CAM and computer systems supply and support services. Later, on December 31, 2007 the Company's name has been changed from 'Texas Electronics Limited' to 'Aamra Technologies Limited'. On 30th November 2009 ATL was converted to a Public Limited Company with a view to be enlisted in the bourses. Being a matured business house operating in IT sector of the country, ATL provides comprehensive IT solutions and services including Systems Integration, Information Systems Outsourcing, Core Banking Software and Switching Solution supply implementation and maintenance services, etc. ATL has been investing in capacity and technology that may lead to the best possible long-term growth and profitability. However, during the last few years, revenue of the company has been declining at the face of intense competition from both in suppliers and buyers end; the margin from traditional trading business was almost drying out. Under these circumstances, the management has decided to change business strategy and move towards high margin value added service tailored for individual clientele. The company is presently operating with a paid-up capital of Tk. 185.22 million against an authorized capital of Tk. 1,000.00 million. Syed Faruque Ahmed, Chairman of the Board of Directors of the company, leads the management team. Syed Farhad Ahmed as Managing Director and a host of experienced

management team directly supports him. The registered office of the company is located at BTA Tower (10th Floor), 29 Kemal Ataturk Avenue, Banani C/A, Dhaka - 1213.

## BUSINESS PLAN

ATL started the business primarily with trading of IT products and software. Keeping a close review of the market and its profitability the company has changed its strategy and started focusing on service-oriented business. The company has formulated its short-term, mid-term and long term strategic plans and believes that it will help them to retain its current leadership position in the market. Though IT is a crucial part of organizations now a days, most of the top management of the corporate houses of our country does not appear to have required IT knowledge and hence unable to apply IT knowledge in controlling the business through IT based products. If the service is provided by the external IT outsourcing companies then it will reduce the fixed IT investment as well as better service from IT expertise. ATL has been providing turnkey solution to the clients. The initial plan of the company is to setup ATM facility in the country, provide money deposit, and draw services to bank's clients. The company has the plan to setup and maintain a secured Data Center, production and communication environment for data and telecommunications services to be outsourced for banks, multinational companies and other business organizations, which will reduce upfront investment for customers and transfer their expenses from CAPEX to OPEX and increase efficiency through professional services.

## IPO Fund Utilization

In order to expand the business, ATL is going to issue 21.572 million shares of TK. 10 each (with TK. 14.00 premium per share) to source TK. 517.43 million from the capital market. The fund will be used mainly for bank liabilities discharge. Rest of the fund will be used for managed services & IPO expenses. In near future the company is expecting construction of Data Center, Call Center, Licensing and Infrastructure, which will help boost the management and support service offerings that ATL will be able to provide. By making early payment of debt, the company will be able to save considerable amount of interest expense, which will increase the profitability of the company. At the same time the equity base of the company will be stronger.

## INDUSTRY OUTLOOK

Starting from the late 90's, Bangladesh has seen an increasing growth of the IT industry. Initially, the favorable taxation policy of the government in 1998, accompanied by the global affordability of computers had tremendous impact on its usage. From then on, in accordance with the global trends, both private and public sectors in Bangladesh proceeded with effective utilization of information technology. The formation of a substantial number of software development companies is a good indication of this development. Recently, wide spread telecommunication outreach all over the country has given the IT industry in Bangladesh an added momentum to move forward.

IT industry in Bangladesh is relatively new compared to other business sectors.

However, the unlimited potential of the IT sector has commended interest from all concerned. The impact of global hype of the IT sector is clearly visible in Bangladesh as well. In the recent years, the local IT sector has grown significantly. With over 3,000 local enterprises operating in hardware, software and ISP segments, the size of Bangladesh IT industry at present stands at USD 450 million. With the advantage of earlier initiation, the hardware segment dominates the market share (65 per cent) while the relatively late entrant, software segments command about 15 percent of the total market. The IT Enabled Services (ITES) segment (15 percent) and Internet and Network Services (5 percent) make up the remaining part of the market. The software segment is relatively new in the market; however, the segment is showing healthy growth in terms of export earnings. The software companies in Bangladesh mainly focus

on servicing the IT/ITES needs of the local leading sectors like Garments, Banks and the Government. At the same time, leveraging the global nature of the IT business, the local entrepreneurs are always looking for international opportunities. Bangladesh now has become one of the most potential outsourcing destinations in the world. The core strength of Bangladesh IT sector is the people. An educated, trainable and young workforce working in this sector possesses the required skill sets to compete in the global scenario. The majority of this work force excels in pure technical tasks such as programming and networking. In fact, a survey conducted by Bangladesh Association of Software and Information Services (BASIS) on 1,100 employees of 55 IT companies revealed that, respectively, 42 and 14 percent of the respondents were engaged in programming and networking jobs. However, the same survey states that,

much to the delight of the industry experts, the number of 'non-code' personnel in the IT companies is rising at fast pace.

The Government of Bangladesh has declared the IT sector as 'thrust' sector. The creation of a separate Ministry for ICT (Ministry of Science and Information and Technology), formulating favorable laws and initiating government IT projects are encouraging steps for the local/international investors in the Bangladesh ICT industry. In addition to the policy development, the government is keeping close interactions with various industry associations. Bangladesh Association of Software and Information Services (BASIS), Bangladesh Computer Samity (BCS), Bangladesh Computer Council (BCC) and Internet Service Providers Association Bangladesh (ISPAB) are some of the apex bodies working for the improvement of the ICT industry in Bangladesh.

### Competitive Conditions in the Business

Product	Competitor Brand	Competitor Company In Bangladesh
ATM	Wincor	Information Technology Consultants Limited
	NCR	LEADS Corporation Limited
	GRG	International Acumen Limited
POS	VeriFone	LEADS Corporation Limited
	Ingenico	Advanced Technology Consultants Ltd
	SAND	Information Technology Consultants Limited
	Spectra	International Acumen Limited
Service	Diebold	Information Technology Consultants Limited
		Techno media
		GRG
	Oracle	Tech valley
	Hypercom	ITCL
		Ingenico
Networking	CISCO	Lead
		Information Technology Consultants Limited
		Thakral Information Systems Private Limited
		Tech Valley Computers Limited
		Flora Limited
Core Banking Software	I-Flex	Data Edge Limited
	Misys	Misys Inc.
	Temenos	DataSoft Systems Bangladesh Limited
Switching Software & CMS	Tranzware	Information Technology Consultants Limited
	Transmaster	Data Edge Limited
	TPS	International Acumen Limited

Source: Company Prospectus

## Segmentation of Revenue:

According to latest data from 2011 aamra Technologies Ltd. (ATL) generates 70.1% of its revenue from sales of equipment, 26.4% from sales of service, and 3% from sales of spare parts. Company management expects that in future contribution from sales of service will gradually take over the sales of equipment.

## Managed Services

Banking automation is in the fast track of the financial industry. Having prescribed regulations from the Central Bank, private commercial banks have taken the initiative to implement Electronic Payments System services to offer modern banking facilities to customers. ATL provides Managed Services wing to provide monitoring and dispatch services for ATM, Cash Position, Consumables, Connectivity Status, etc. and to provide weekly, monthly uptime/downtime and response report.

The market has intense competition in terminal and hardware business especially in ATM, POS, Service and Networking among the larger and dominant competitors of the industry. The new entrants with cheaper solutions from markets like China, Taiwan and Indonesia are becoming popular. In the software solution sector the company has competition primarily in core banking and switching software segment. With the compulsion and encouragement from the central banks, banks are now more interested to have complete banking solution, which in one side created significant opportunity for Banking IT solutions and on the other side a good competition among the established solution providers.

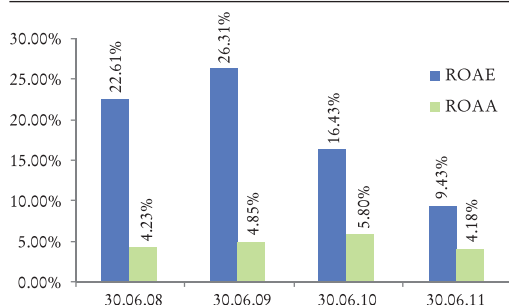
## Upside Potentials

- Leading IT service and solution provider in its key business segments (ATM, POS, Service, Networking, Core Banking, Switching Software & CMS Software)

## Key Insider Holdings (Pre-IPO)

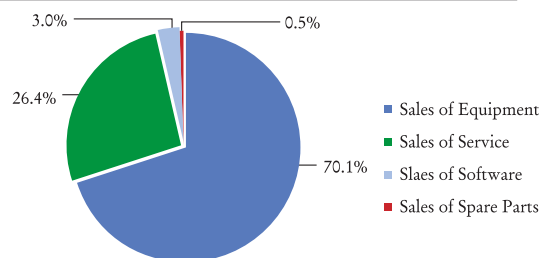
Name of Directors (Age)	Designation	% of Shares	Experience (Years)	
			With the company	Total
1. Syed Faruque Ahmed (48)	Chairman	18.98	27	27
2. Syed Farhad Ahmed (44)	Managing Director	18.98	27	27
3. Syeda Amina Ahmed (50)	Director	11.41	27	27
4. Syeda Farida Ahmed (71)	Director	4.12	12	12
5. Syeda Munia Ahmed (41)	Director	4.12	4	4
6. Fahmida Ahmed (40)	Director	4.12	4	4
Total		61.73		

## Return on Capital & Asset



Source: LBSL Research

## Contribution in Sales



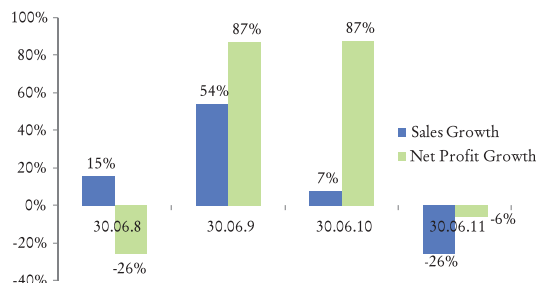
Source: LBSL Research & Company Prospectus

- Established business and experienced business model.
- Managed Service model is proved to be a successful model in other developed countries. If ATL can successfully establish the model in Bangladesh, the company will be the pioneer in this sector.
- IT is very fast growing sector and government has declared it as a thrust sector.
- Large untapped market.

## Key Risk Factors

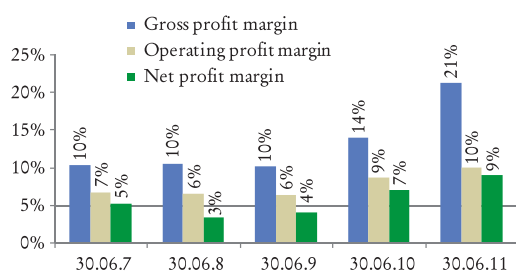
- Technology is a rapidly changing business. Anytime significant change in the technology can make the business model obsolete.
- Volatile customer needs.
- Decreasing product price.
- Large number of competitors .
- According to latest financial statements most of the business segments generates low margin. If the company cannot generate significant margin in the newly introduced business model it will be difficult for the company to improve the return on capital.

## Sales Growth & Profit Growth



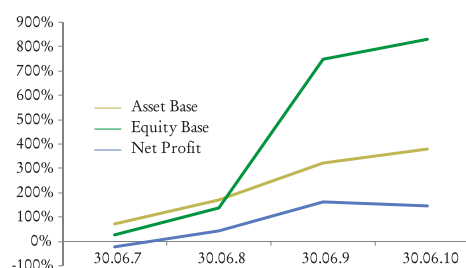
Source: LBSL Research

## Profitability



Source: LBSL Research

## Trend Comparison



Source: LBSL Research

Income Statement (Figures in BDT mn.)	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11	4 Years CAGR
Revenue	363.81	418.83	643.83	690.85	512.57	8.9%
Less: Cost of goods sold	326.27	375.35	578.64	594.28	403.75	5.5%
<b>Gross Profit/ Loss</b>	<b>37.54</b>	<b>43.47</b>	<b>65.19</b>	<b>96.57</b>	<b>108.82</b>	<b>30.5%</b>
Less: Administrative expenses	13.26	16.76	24.46	37.25	57.80	44.5%
<b>Operating Income</b>	<b>24.28</b>	<b>26.71</b>	<b>40.72</b>	<b>59.32</b>	<b>51.02</b>	<b>20.4%</b>
Add: other income	0.00	0.00	0.00	3.01	12.00	0.0%
Less: Finance costs	2.73	5.39	4.27	4.47	4.50	13.3%
<b>Profit for the year</b>	<b>21.55</b>	<b>21.32</b>	<b>36.46</b>	<b>57.86</b>	<b>58.52</b>	<b>28.4%</b>
Exchange gain/loss					0	0.0%
Other comprehensive income for the year					0.06	0.0%
<b>Total Comprehensive Income for the Year</b>	<b>21.55</b>	<b>21.32</b>	<b>36.46</b>	<b>57.86</b>	<b>58.58</b>	<b>28.4%</b>
Less: Corporate tax	2.91	7.46	10.59	9.43	11.48	40.9%
Add: Provision for deferred tax (asset)					1.53	0.0%
<b>Profit after tax</b>	<b>18.64</b>	<b>13.86</b>	<b>25.86</b>	<b>48.43</b>	<b>45.57</b>	<b>25.0%</b>
EPS( Fully Diluted by Post-IPO Paid-up Capital)	0.3	0.6	1.2	1.1	0.0%	

Balance Sheet ( Figures in BDT. Mn.)					
Assets	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
<b>Non-current assets</b>					
Property, Plant & Equipment	5.92	8.30	23.24	49.03	52.43
Intangible Assets					82.70
Capital Work in Progress					113.71
Investments	27.70	32.00	32.00	0.00	0.00
<b>Current assets</b>					
Inventories	66.20	139.16	315.38	392.41	486.53
Inventory in transit	0.00	0.00	0.00	0.00	58.37
Trade receivables & others	70.44	160.86	104.79	234.14	259.79
Advance, Deposits & Prepayments	36.98	52.93	92.77	130.52	76.83
InterCompany Current Account	29.04	18.88	0.00	62.75	29.71
Deferred Tax Assets	0.00	0.00	0.00	0.00	1.53
Cash & Cash Equivalents	6.78	0.57	84.79	149.38	0.52
0	209.44	372.41	597.74	969.21	913.28
<b>Total Assets</b>	<b>243.06</b>	<b>412.71</b>	<b>652.98</b>	<b>1018.24</b>	<b>1162.13</b>

Equity & Liabilities	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
Equity attributable to shareholders	54.37	68.23	128.38	461.25	505.56
<b>Non-current Liabilities</b>					
Long-term Loan	0.00	64.28	202.54	142.73	41.72
<b>Current Liabilities</b>					
Short Term Loan	157.40	250.46	285.46	362.66	507.91
Liability Against Import of Inventory	0.00	0.00	0.00	0.00	58.37
Trade Payable & Others	1.33	2.75	4.08	7.85	10.55
Directors loan	10.27	7.28	0.00	0.00	0.00
Inter Company Current account	0.08	0.04	0.00	0.00	0.00
Advance Against Sale	6.24	0.00	0.00	0.00	22.40
Liability for Expenses	3.56	2.41	4.66	6.47	4.13
Provision for Corportae Tax	9.80	17.27	27.86	37.29	11.48
	188.69	280.20	322.07	414.26	614.85
<b>Total Liabilities</b>	<b>188.69</b>	<b>344.48</b>	<b>524.60</b>	<b>556.99</b>	<b>656.57</b>
<b>Total Equity and Liability</b>	<b>243.06</b>	<b>412.71</b>	<b>652.98</b>	<b>1018.24</b>	<b>1162.13</b>

**Key Ratio**

Margins	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
Gross profit margin	10.32%	10.38%	10.12%	13.98%	21.23%
Operating profit margin	6.67%	6.38%	6.33%	8.59%	9.95%
Net profit margin	5.12%	3.31%	4.02%	7.01%	8.89%
Growth Ratios	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
Revenue		15%	54%	7%	-26%
Gross Profit		16%	50%	48%	13%
Net Profit		-25.64%	86.63%	87.28%	-5.92%
Total Assets		69.80%	58.22%	55.94%	14.13%
Equity		25%	88%	259%	10%
Fixed Assets		40%	180%	111%	7%
Profitability	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
ROAE		22.61%	26.31%	16.43%	9.43%
ROAA		4.23%	4.85%	5.80%	4.18%
Leverage Ratio	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
Debt to Total Capital Ratio		0.00%	94.21%	157.77%	30.94%
Working Capital Efficiency	30.06.7	30.06.8	30.06.9	30.06.10	30.06.11
Accounts Receivable Turnover		5.17	2.60	6.14	2.95
Receivable Collection Period		70.67	140.19	59.41	123.70

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