

RATING REPORT

Bangladesh Development Company Limited (BDC).

Ratings

Long Term : **BBB₂**
 Date of Rating: **March 30, 2010**
 Valid Till : **December 2010**

Analysts:

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Rationale

CRAB has assigned BBB₂ (Triple B Two) rating in the long term to Bangladesh Development Company Ltd (BDC) based on latest audited financials and other relevant information.

Corporate entities rated BBB in the long term belong to 'Adequate Capacity' cohort. Corporate entities rated BBB have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances and also subject to moderate credit risk.

The rating reflects the company's strength with its moderate financials, robust demand of housing plots in the market as well as strong asset portfolio. The rating also factors significance experience of the promoters in the housing industry. The rating however, is constrained by project implementation capacity within 5 years, land acquisition impediment as well as political and legal obstacles.

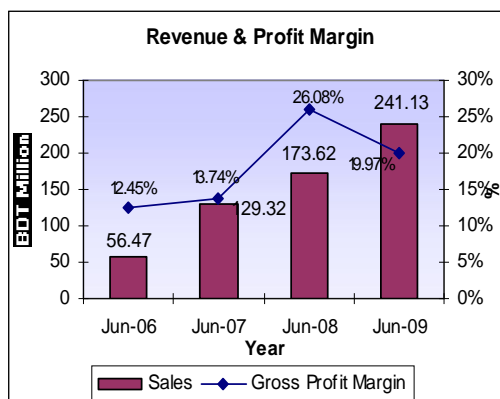
Bangladesh Development Company Limited (BDC) was established in November 1992 as a public limited company and started its full operation in the year 2002. Core

Exhibit: Financial Highlights

Amount in BDT million

Particulars	June 2009	June 2008
Sales Revenue	241.13	173.62
EBITDA	18.30	16.26
Net Worth	42.44	27.19
Operating Profit Margin	6.73%	8.00%
ROE	35.61%	47.06%
Total Liabilities to Total Assets	97.75%	98.15%
Current Ratio	0.94X	0.90X

Exhibit: Revenue & Profit Margin



business of BDC is developing housing estate. BDC has undertaken 5 housing projects at different access point of Dhaka city. The entire housing projects comprise 22,033 plots of different sizes. By the end of 2009, out of total project size (88,742 katha) in 5 projects, BDC acquired 41.58% of land.

The pressure on limited land in Dhaka has intensified urbanization around the Dhaka city. Growing population as well as migration from rural areas also increases the urbanization. In this market, land becomes arguably the most valued commodity. Although BDC is not the market leader in the sector, but has managed to initiate projects adjacent to five different access point of Dhaka city, that provide them moderate position in the market.

By the end of June 2009, a total of 12,892 plots were booked by the customers which was 58.51% of total plots. However, the company sold a total of 1,249 plots (5.67%) of five different projects by the end of June 2009. It is noteworthy that sale of plots include those who have already paid the entire installment amount and handed over to clients. Year wise sales performance shows that plot sales of BDC in June 2009 soared by 70% resulted from political stability of the country.

BDC's revenue from sales experienced moderate growth over the last couple of years. Revenue stream of the company was affected by political turmoil in the country. In June 2009, BDC earned BDT 241.13 million revenue. Gross profit margin fluctuated over the years and average gross profit margin in the last 3 years was 19.93%.

Liquidity position of BDC was tighten over the years mainly because of continuous investment in land and land development. Leverage position of BDC was quite high in terms of total liability. However, stock of land as well as investment in land development reduced the liability risk to some extent. On the other hand, borrowed fund to total equity was only 0.11 times in June 2009. Operating profit margin in June 2009 exceeds the last three years average.

BDC has undertaken a plan to expand and develop its existing New Town project and West Town project. For this purpose, BDC will issue preference share worth BDT 290 million as approved by Securities and Exchange Commission.

Financial projection shows that EBITDA will be able to cover its interest expenses at 100% project implementation. But for 50 % project implementation over the five years time span, EBITDA will not be able to cover interest expenses in the first year. However, the cash inflow of the project will cover the cash outflow that includes BDT 140 million preference share pay off having 50% project implementation in the five years time. It is to be mentioned that cash flow of the company is highly dependent on the project completion.