

Rating Report
LankaBangla Securities Ltd.

Ratings

Long Term : AA₂
Date of Rating : April 22, 2010
Valid till : June, 2011

Analysts:

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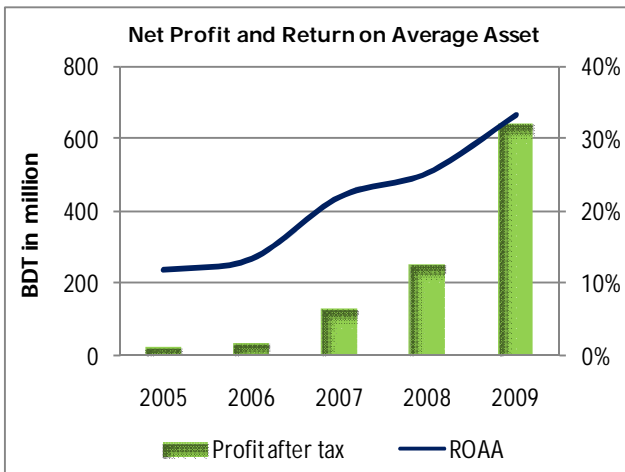
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Exhibit 1: Financial Highlights

Amount in BDT million

Particulars	2009	2008
Total Operating Income	1,013.18	464.28
Total Operating Expense	314.91	186.45
Profit Before tax	277.84	698.27
ROAA (%)	33.25	25.31
ROAE (%)	60.96	71.28
Efficiency Ratio (%)	31.08	40.16
Leverage Ratio (Times)	1.83	2.82



1. RATIONALE

Credit Rating Agency of Bangladesh (CRAB) Limited has awarded **AA₂** (Double A two) rating in the long term to the LankaBangla Securities Limited, based on audited financials of 31 December 2009 and other relevant information.

Securities Firms rated **AA₂** in the long term belong to “very strong capacity” cohort. Security Firms rated “**AA₂**” have very strong capacity to meet their financial commitments. Such companies are judged to be of very high quality and are subject to very low credit risk.

LankaBangla Securities Limited (LBSL) commenced its operation on July 3, 1997 as a fully owned subsidiary of LankaBangla Finance Limited. It was formerly known as Vanik Bangladesh Securities Limited (VBSL). LBSL has 7 branches and main function of LBSL is to act as a member of stock exchange and carry out the business of brokers, dealers in stock and securities commodities, bonds. It has now become the leading equity brokerage house in the country with more than 12,000 institutional and individuals clients.

The rating factors high franchise strength and brand equity of LBSL resulted in a market leading position over the last few years. Less volatile revenue sources (brokerage commission constituted around 84% of revenue) coupled with



large customer base are the key rating drivers of LBSL.

With low market capitalization of GDP as relative to regional market with similar socio-economic development patterns, growth in the Bangladesh capital market is expected to remain positive with expectation of more new issues to be listed.

With quality service, LBSL's pre tax earnings reached to BDT 698.27 million in FY 2009 with a CAGR of 130%. Very high pre-tax margin has been achieved over the last three years (ranging 59% to 69%).

The rating is the outcome of high profitability level, strong liquidity (cash and cash equivalent plus bank limit as 2.26 times of outstanding borrowed fund) as well as adequate level of capital (as cushion of absolute loss); Debt/EBITDA was 0.68X and Debt/Adjusted Equity was 0.50X in FY 09.

The rating also considers that due to large receivable and growth trend, the DSCR shows a negative value which indicated the dependency on borrowed fund in future. LBSL takes term loan from Banks/FI and provides margin loan facilities to its clients. (CRAB feels comfort that LBSL monitors the margin loan accounts on regular basis and securities are liquidated if loan to value ratio drops below 65%.