



CRAB Rating

SURVEILLANCE RATING REPORT

BDT 4,250.00 MILLION UNSECURED, NON-CONVERTIBLE, COUPON BEARING BONDS OF GRAMEENPHONE LIMITED (GP)

Bond Rating:**Long Term: AAA ("SO")****Date of Rating: 27 December 2009****Entity Rating:**

Long Term Rating of GP: AAA

Validity: 15 July 2010

Lead Analyst:Sajjad-Bin-Siraj
Financial Analyst
sbsiraj@crab.com.bd**Co-Analyst:**Md. Abdullah Omar
Financial Analyst
omar@crab.com.bd

1.0 RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has reaffirmed **AAA ("SO") (Pronounced Triple A Structured Obligation)** rating in the Long Term to the privately placed BDT 4,250.00 million Unsecured, Non-Convertible, Coupon Bond by Grameenphone Ltd. (hereinafter referred to as GP or the Company).

TRANCHE 1	
Name of Institution	Draw down amount (BDT)
A.K. Khan & Co. Ltd.	500,000,000
BRAC Bank Limited	300,000,000
Mercantile Bank Limited	100,000,000
Prime Bank Limited	700,000,000
Pubali Bank Limited	100,000,000
SABINCO	50,000,000
The City Bank Limited	150,000,000
Total Drawdown	1,900,000,000

TRANCHE 2	
Name of Institution	Draw down amount (BDT)
A.K. Khan & Co. Ltd.	1,000,000,000
Eastern Bank Limited	150,000,000
IDCOL	500,000,000
Mercantile Bank Limited	100,000,000
The City Bank Limited	150,000,000
Delta Life Insurance Company Ltd.	450,000,000
Total Drawdown	2,350,000,000

Performance

The performance analysis is carried out at the time of two coupon payment dates of both the tranches of the transaction have passed. 100% of both the tranches has already been drawn down. We are now in

a position to look closely at the efficacy of the structure.

CRAB monitored the transaction over its period and there was no such event which may lead to downgrade the transaction. Grameenphone Ltd. as an entity was rated **AAA** by CRAB based on the financial statements of 31 December 2008. GP has recently raised capital through IPO which boosted its share capital from BDT 12,151.75 million to BDT 13,503.00 million.

The issue has performed as unsecured but Senior Bonds. The ceiling was fixed at 15.00% and the floor was fixed at 14.25% with the assumption that the initial offering rate is 14.50%. The interest rate re-fixation period is still 6 months. Due to floor in bond interest rate, risk from downward interest rate movement in the market is minimized. Furthermore, the modality of re-fixation of interest rate provides a stable way of capturing interest rate movement in future.

In addition there is a negative pledge clause which is the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its property or assets, present or future, to secure (1) payment of principal of, or premium or interest of, or on, any Debt Securities; or (2) any guarantee, indemnity or other like obligation in respect of the payment of principal of, or premium or interest of, or on, any Debt Securities; without in any such case at the same time according to the Bonds the same security as granted or is outstanding in respect of such Debt Securities or such guarantee, indemnity or other like obligation.



CRAB Rating

CRAB feels comfort to understand its liquidity sources and its maturities in addition to the credit facilities from different banks i.e. deposits from agents and subscribers, bill collection speed, lease finance opportunities, market sensitivities as well as its contingency plans. GP's cash collections have shown significant improvements in the previous years will further strengthen its financial position.

Going forward, GP's turnover and operating profits is expected to show growth in the long term on the back of capacity additions and improvements, diversification in products line. Although the company's gearing would increase following debt funded capacity expansion, efficient operations, a competitive cost structure and cost plus nature of the existing tariffs would result in sustenance of its strong debt servicing indicators.