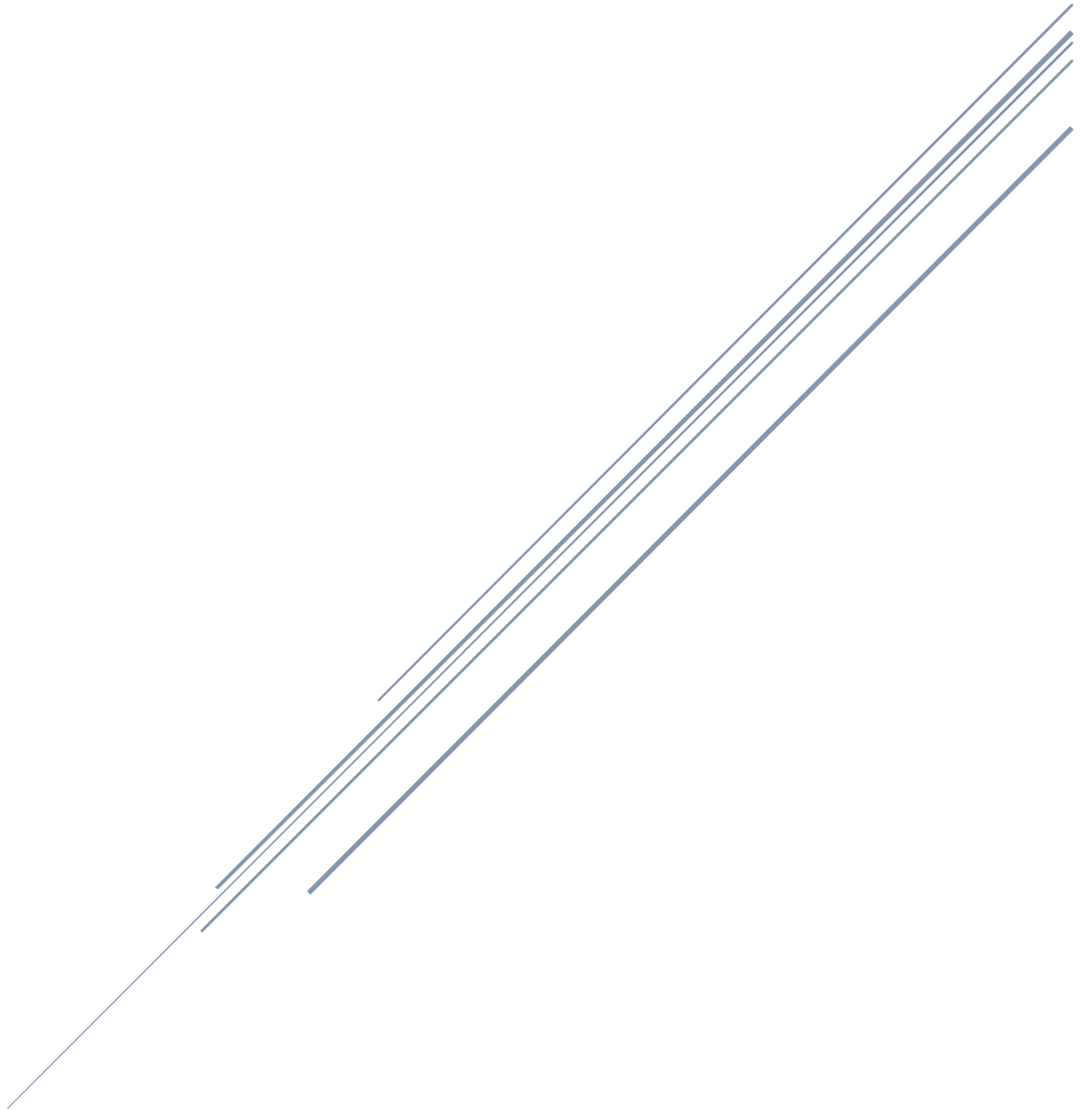


INVESTMENT PROPOSAL ON BEXIMCO GREEN-SUKUK AL ISTISNA'S



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Investment Proposal on Beximco Green Sukuk

The Originator- Beximco Limited

Bangladesh Export Import Company Limited was incorporated in 1972 as a public limited company with trading being its main business. It is the flagship company of BEXIMCO Group, one of the largest business conglomerates in Bangladesh. Over the years, the company has transformed itself into a highly diversified manufacturing business having 10,000 skilled employees. Presently its business include textile manufacturing, real estate, ceramics, IT, Trading & Investment and fisheries. The Textile is the biggest division of the company. It produces world class yarn dyed, solid dyed and printed fabrics including denims, knitwear and other textile materials for the use in the export oriented garment producers. These are then converted for buyers like H&M, Zara, JCPen ny, Marks & Spencers, etc.

Overview of the Projects

Teesta Solar Limited (TSL):

- The largest individual 200MW Solar PV Plant in Gaibandha, Bangladesh
- Tariff rate USO 0.15 per KWh
- Payment Backed by GOB (Ministry of Energy, Power and Mineral Resource)

Korotoa Solar Limited (KSL):

- 30 MW Solar PV plant in Panchagarh, Bangladesh
- Tariff rate USO 0.139 per KWh
- Payment Backed by GOB (Ministry of Energy, Power and Mineral Resource)

Textile division- Beximco Limited

- Textile Machineries and equipment to be purchased for the expansion of textile division

About the Issuer (SPV)- Bexmico Green-Sukuk Trust

Beximco Green-Sukuk Trust is registered as a trust vide approved deed of trust by the Bangladesh Securities and Exchange Commission (BSEC) and registered under the Registration Act, 1908 with a special financial objective to issue Beximco Green-Sukuk. The Beximco Green-Sukuk Trust will act as the Issuer of Beximco Green-Sukuk and has the Beneficial & legal ownership in the Sukuk assets.

Key Features

- Asset Backed Green-Sukuk
- Islamic Shari'ah Based Securities
- Half Yearly Periodic Payment
- 9% (Base Rate) + Profit Margin Rate
- Convertible/ Redeemable

Mode of Offer

Private Placement: 50% of the Sukuk Issuance BOT 15.0 Billion

Existing Shareholders: 25% of the Sukuk Issuance BOT 7.5 Billion

Public Offer: 25% of the Sukuk Issuance BOT 7.5 Billion

Information of SUKUK

Name of the Originator/Obligor	BEXIMCO Limited
Name of the Issuer	Beximco Green-Sukuk Trust
Name of the Beneficiaries	(i) Teesta Solar Ltd. (ii) Korotoa Solar Ltd. (iii) Beximco Ltd.
Type of Sukuk instrument to be issued	Secured, Convertible or Redeemable, Sukuk Al Istisna
Issue Size	BDT 30 Billion - 30,000,000,000 – (3,000 Crores)
Face value, number of securities being offered and total issue amount	Face value per Sukuk: BDT 100 Public issue size: BDT 7.5 Billion – 7,500,000,000 – (750 crores) <ul style="list-style-type: none"> • BDT 5.45 Billion- For construction of Teesta Solar Project of • BDT 4.67 Billion and Korotoa Solar Project of BDT 0.78 Billion. • BDT 2.05 Billion- to finance and refinance (non-interest bearing) the machineries and equipment required for expansion of the Textile Division.
Subscription and Issuance	Minimum Subscription: BDT 5,000 = 50 lots of BDT 100 each Subscription Period: Opening Date of Subscription: 16th August, 2021 Closing Date of Subscription (Cut-off date): 23rd August, 2021 Issuance Date: 31st August, 2021
Listing	DSE & CSE
Coupon/Periodic Distribution Rate	Base Rate + Profit Margin
Base Rate	9%
Profit Margin	10% of the difference between Base Rate and annual dividend rate declared in the AGM of the preceding year of BEXIMCO Ltd. If dividend rate is equal to or below the Base Rate, the Periodic Distribution Amount will be paid as per the Base Rate only
Coupon/Periodic Distribution Rate	<ul style="list-style-type: none"> • Ceiling: Subject to Base Rate 10% of the difference between Base Rate and annual dividend rate declared in the AGM of the preceding year of BEXIMCO Ltd. If dividend rate is equal to or below the Base Rate, the Periodic Distribution Amount will be paid as per the Base Rate only • Floor: 9%
Coupon/ Periodic Distribution Frequency	Semi-annual
Tenor / Maturity	5 years

Conversion Option	<p>Sukukholders shall have the option to convert up to 100% of their respective investment in the sukuk into ordinary shares of Beximco Ltd. within 5 years as follows:</p> <p>i. 20% convertible at the option of the Sukukholders per annum;</p> <p>ii. Conversion option can be exercised at a multiple of 5%, i.e. 5%, 10%, 15% and 20%;</p> <p>iii. a single year's un-exercised option can be carried forward to the subsequent years and may be exercised along with current year's option</p>
Conversion Rate:	<p>25% discount to the Weighted Average Market Price in Dhaka Stock Exchange (DSE) of 20 (twenty) trading days prior to the Record Date for Conversion.</p>
Record Date	<p>The record date to determine Sukukholders eligibility to convert into ordinary shares of Beximco Ltd. will be 12 months after issuance of the sukuk and the said date shall be the record date for the subsequent years till maturity ("Record Date for Conversion").</p> <p>ii. The record date to determine Sukukholders eligibility to receive half-yearly Periodic Distribution Amount shall be 6 months after the issuance of Sukuk and thereafter, every 6 months till maturity ("Record Date for Periodic Distribution").</p> <p>If any record date falls on a holiday, then the subsequent trading day shall be the record date.</p>

Investment Rationale

Investment Positives

- Beximco Green-Sukuk will pay half yearly periodic distribution rate of 9% (base rate) which is higher than the risk free rate of 5 year Treasury bond rate of Bangladesh 4.14% as on August 11, 2021. The distribution rate is also higher than average term deposit rates of banks and NBFIs.
- Additional profit margin rate on top of base rate makes the investment more attractive. The coupon or the periodic distribution rate is based on the base rate (9.00%) plus profit margin whereas profit margin is calculated as 10% of the difference between base rate and annual dividend rate declared in the AGM of the preceding year of BEXIMCO Limited. If dividend rate is equal to or below the base rate, the periodic distribution amount will be paid as per the base rate only. It is mentionable that the average annual dividend rate of last five years and two years of BEXIMCO Limited is 9.00% and 5.00% respectively;
- Listing and conversion option ensures liquidity to the investors.
- Considering the conversion rate [25% discount from the weighted average market price of 20 (twenty) trading days in Dhaka Stock Exchange (DSE) prior to the record date for conversion], the investment in the Sukuk of BEXIMCO becomes lucrative for investment.
- Considering the return of the Sukuk, it can be used as good hedging tool as investment.

- Considering the current interest rate scenario in the country; assuming the discount rate or yield to maturity of the Sukuk ranging 6% to 8%, the value per Sukuk ranges from BDT 104.06 to 112.80 which reduces the downside risk of Sukuk to trade below its par value.

Face Value per Sukuk (in BDT)	100	100	100
Annual Coupon Rate	9.00%	9.00%	9.00%
Yield to Maturity (YTM)	6.00%	7.00%	8.00%
Years to Maturity	5	5	5
Payment Frequency (Semi-annual)	2	2	2
Value of per Sukuk (in BDT)	112.80	108.32	104.06

Assumptions: Annual coupon rate is assumed to be the base rate of 9%. Any additional profit margin will increase the value per Sukuk proportionately;

Investment Concerns

- Beximco Ltd. (the originator) did not show strong financial performance historically. The 5 year revenue and Net profit after tax CAGR of the company is -3.64% and -6.86% respectively up to FY 2019-20. In 2020-21 (9 month) the revenue and net profit of the company grew considerably by 72.51% and 549.45% respectively. This is uncertain whether the company will be able to sustain this profitability in the future.
- The return on equity on solar projects are generally far lower than other sources of power generation projects. Thus profitability of the projects creates uncertainty regarding the periodic payments of the Sukuk.
- Beximco Ltd. had a poor history of paying the claims of their debenture holders which raises questions regarding their ability to pay such huge periodic payments to the sukuk holders.
- The tenure of the solar projects of the Beximco Sukuk is 20 years where the tenure of Beximco Sukuk is only 5 years which raises questions regarding the scheduling of the periodic payments. Also, the ongoing pandemic may delay the solar projects completion on time.
- Currently the textile industry is going through difficult time with rising raw material prices due to supply chain disruption due to the ongoing pandemic. There will be uncertainty regarding the completion of textile projects considering the growing uncertainty of when the pandemic will end.