

Trend Setters



# Prospectus

**RAK Ceramics (Bangladesh) Limited**  
(Affiliate of RAK Ceramics PSC,UAE)



# Prospectus



## RAK Ceramics (Bangladesh) Limited

Public offer of 34,510,000 ordinary shares of Tk. 10/- at an issue price of Tk. 48/- each totaling to Tk. 1,656,480,000/-

Eligible Institutional Investors have subscribed 20% of the Offer i.e. 6,902,000 ordinary shares of Tk. 10/- under Book Building Method at a weighted average price of Tk. 48/- per share

Remaining 80% i.e. 27,608,000 ordinary shares of Tk. 10/- at an issue price of Tk 48/- per share (cut off price) are offered for General Public, NRB, Mutual Funds and Collective Investment Scheme registered with the Commission

**Opening date of subscription: April 25, 2010**

**Closing Date of subscription: April 29, 2010**

**For NRB subscription closes on: May 8, 2010**

Credit Rating by CRISL	
Long Term	Short Term
AA+	ST-1
Date of Rating: August 6, 2009	

### Lead Issue Manager



#### IDLC Finance Limited

Bay's Galleria (1st Floor) 57, Gulshan Avenue  
Gulshan 1, Dhaka 1212

### Joint Issue Manager



#### BRAC EPL Investments Limited

WW Tower (Level 9), 68 Motijheel C/A, Dhaka 1000

### Registrar to the Issue



#### Prime Finance & Investment Limited

63, Dilkusha C/A (3rd Floor), Dhaka 1000



# Trend Setters

“Organizational DNA”

of RAK Ceramics has been technology and quality. Astute leadership, a clear vision with regards to product positioning in the global arena, and a strong resolve to have the best results driven by a well conceived strategy has been the hallmark of success



## Trend Setters ..... In Fashion & In Style

Technology is precise and creativity has no limitations. Combining these two seemingly opposing aspects of the industry requires a lot of maturity, technical intelligence and keen artistic sensitivities. It also requires skill to keep finding areas of synergy, where the two can blend together smoothly. RAK Ceramics has managed to successfully blend technology and creativity and thus pushed its way to the top of its sector within a short time span.

Over 6000 active designs form the backbone of the tile business, with a range that covers thousands of models in soluble salt, salt & pepper and glazed, covering finishes such as polished, semi polished, unpolished, rustic, stone, mosaic, travertino, etc







## Trend Setters

# ..... In Corporate Achievements

### Superbrand –2009... ultimate tribute for a brand



Being named a SuperBrand is a very important milestone for RAK Ceramics, validating our company's genuine commitment to deliver high-quality and trend setting products. Being voted a Super-Brand serves as a powerful endorsement and evidence for existing and potential customers, media, suppliers, investors and employees of a brand's exceptional status.

### MRM Business Award.... for manufacturing

RAK Ceramics was awarded the Mohammed Bin Rashid Al Maktoum Business Award (MRM Business Award) for INDUSTRY for the year 2005.



### Brand Finance Middle East valuation .... for Brand Value & Rating



RAK Ceramics' was rated amongst the top 4 brands in the UAE, in an exercise carried out by Brand Finance Middle East of the U.K., the rating for the brand being AA-. RAK Ceramics was also rated topmost amongst the manufacturing companies in the UAE.

### Arabian Business Achievement Awards -2004

The Awards are are renowned as the most valued recognition of success in business innovation across the Middle East.





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## ..... In Reaching Global Locations

**THE CENTR**ong Kong  
**MARINA MALL** - Abu Dhabi  
**WEMBLEY STADIUM** - London  
**UPIM DEPARTMENTAL STORES** - Italy  
**ISLAMABAD AIRPORT** - Pakistan  
**ABBOTSFORD COVE** - Sydney  
**OLYMPIC VILLAGE 2004** - Athens, Greece OLYMPICS  
**SARABIA HOTEL MANOR** - Phillipines  
**CROWN CASINO HOTEL** - Melbourne, Australia  
**DAIMLERCHRYSLER** - Europe  
**KNOWLEGDE VILLAGE** - Dubai  
**SULTAN QABOOS UNIVERSITY** - Muscat, Oman  
**RAILWAY STATION FERROVIE NORD** - Milan  
**PRESIDENTIAL PALACE** - Ashkabat, Turkmenistan  
**SHERATON PLAZA HOTEL** - Dubai  
**HOTEL INTERCONTINENTAL** - Paris  
**GRAND HYATT HOTEL** - Dubai  
**GRAND HYATT** - Eldersburg , MD, USA  
**AL JAZIRA ACADEMY** - Doha Qatar

And several more.....

RAK Ceramics is a USD 800 million global conglomerate in the ceramic industry that exports its products to over 135 countries, targeting architects, project developers and retail customers. The company has manufacturing subsidiaries in Bangladesh, Sudan, India and Iran, along with subsidiaries in Italy, Germany, Georgia, France, UK, Australia and Saudi Arabia. Distributors in over 100 countries actively help in generating a massive sales performance unrivalled in the ceramic industry



DEFENCE QUEST - PARIS, FRANCE



WEMBLEY STADIUM - London



CENTRO COMMERCIAL UNIVAS - MEDELLIN, COLOMBIA



## Trend Setters ..... In Engineering

Some unique designs, formats, patterns and finishes are acquired through new technologies such as roto printing, double charge, dry glaze ,advanced MDR, digital printing, technoslate twin press & others. Some unique “antique style” finishes in tiles have been possible due to advanced gres porcellanato technology. Water jet cutting technology also facilitates unique water jet designs and diamonds cutting machine tools help make beautiful vanity tops from gres porcellanato slabs. In sanitaryware various models are produced in wash basins (mounted as well as pedestals) , water closets (WC), bidets, bathroom sets, bath tubs, shower trays, kitchen sinks, bathroom cabinets, accessories and decorated sets.

The commitment to promoting and investing in the best and most innovative technology available at any point of time has always been the bedrock of RAK Ceramics' achievements.





Trend Setters

## ..... Green Building Initiatives

**A unique “green building” concept product from RAK Ceramics that contributes to the Environment Possible with High Technology and innovations from RAK Ceramics**

RAK Ceramics has recently successfully launched the commercial production of Thin Tiles of 4.5 mm thickness. It is a trend setting development and a unique technological achievement perfected after numerous trials and experiments and technical research for several months. RAKSLIM is a Gres Porcellanato tile and offered in Matt Finish.

The greatest beneficiary is the environment, and other benefits are all commercial, down the distribution level & the user level. Having a very high satisfactory strength by international standards, RAK SLIM is a tile that is like half the thickness of a normal tile.

This way, thousands of tonnes of raw materials starting from clays– natural & otherwise will be saved. Energy costs in firing the tile are also considerably lower, and last but not the least , the emissions from plants that is a result of manufacturing of the tiles is far lower as lesser energy is consumed, and lesser raw materials & chemicals used in the process.







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**..... In Overall performance**

MNC who's turnover reached  
four fold in just 5 years

Turnover in 8 years achieved a  
Compounded Annual Growth of  
33.26%

Proven & successful

Globally recognized as a  
SUPERBRAND

In Bangladesh, every 4th sanitaryware  
fixed is non RAK Ceramics & every 4th tile fixed is  
RAK Ceramics





# Mission Statement

“Excellence” is a way of Life at RAK Ceramics, it knows no boundaries nor it is a fixed standard. It is a “state” that is continuously changing and evolving. It pushes us to reach even more challenging Standards of Performance.

As a Global Leader in the Industry, we stand committed in all our Endeavors for:

“Excellence” through Hi-Quality Products and Services so as to provide The Best Value for Money.

“Excellence” in the use of the Best Technology to create the most innovative products and designs.

“Excellence” in our role and responsibility, by creating in every employee the skills and the will, the “Passion to Excel” by benchmarking to still higher levels of Performance and creating “The Future Today”.



# How was it Achieved!

Experts consider the following reasons as to why RAK Ceramics made such great strides in a very short time in the industrial world

- An extremely determined effort to create a world class company with **great investments in technology**, backed by a dynamic & dedicated management.
- A determined effort to **think beyond the UAE / GCC** market as its only market.
- **An aggressive approach** in entering and capturing regional and overseas markets with a focus on some of the largest markets of the world, though the toughest.
- Not restricting its vision to manufacturing in the region, but to **go far into foreign lands** to set up manufacturing locations.
- **Reinvesting** a large portion of profits back into technical up-gradation on a regular basis
- RAK Ceramics developed a **massive capacity** for manufacturing to supply large quantities for major projects and major big box retailers.
- The strength of RAK Ceramics has been the speed with which it innovated itself to meet market expectations with **new designs & products** catered to the various world markets
- RAK Ceramics has created the **largest and most exclusive range of models** in the ceramic world with new models offered every month, appealing to all market segments such as interior designers & architects; engineers, major retail chains, corporate, do-it-yourself retailers & home owners; all keeping in mind of course, the end user across the world



“If you have any query about this document, you may consult issuer, issue manager, underwriter”

## **PROSPECTUS**

**Public offer of 34,510,000 ordinary shares of Tk. 10/- at an issue price of Tk. 48/- each totaling to Tk. 1,656,480,000/-**

of

### **“RAK Ceramics (Bangladesh) Limited”**

Eligible Institutional Investors have subscribed **6,902,000** ordinary shares at **Tk. 48/- per share**  
**27,608,000** ordinary shares at an issue price of **Tk 48/- per share (cut off price)** are offered for General Public, NRB,  
Mutual Funds and Collective Investment Scheme registered with the Commission

Opening date for subscription: **April 25, 2010** Closing date for subscription: **April 29, 2010**

For Non-Resident Bangladeshi Quota, subscription closes on: **May 8, 2010**

### **Manager to the Issue**

Lead Issue Manager <b>IDLC Finance Limited</b> Bay's Galleria (1st Floor), 57 Gulshan Avenue Gulshan 1, Dhaka 1212	Joint Issue Manager <b>BRAC EPL Investments Limited</b> WW Tower(Level 9), 68 Motijheel C/A Dhaka 1000
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### **Registrar to the Issue**

**Prime Finance & Investment Limited**  
63, Dilkusha C/A (3rd Floor), Dhaka 1000, Bangladesh

### **Underwriters**

ICB Capital Management Limited	Prime Bank Limited	Eastern Bank Limited
Prime Finance & Investments Ltd.	Southeast Bank Limited	LankaBangla Finance Limited
Green Delta Insurance Co.Limited	Trust Bank Limited	BRAC EPL Investments Ltd
Bangladesh Mutual Securities Ltd.	IDLC Finance Limited	

### **Credit Rating Agency**

Credit Rating information and Services Limited (CRISL)

	Long Term	Short Term
Entity Rating	<b>AA+</b>	<b>ST-1</b>
Date of Rating	August 6, 2009	

Date of publication of Prospectus: March 30, 2010

The issue shall be placed in “N” Category

### **RAK Ceramics (Bangladesh) Limited**

RAK Tower (7th , 8th & 9th Floor), Plot No. 1/A, Jasimuddin Avenue  
Sector 3, Uttara Model Town, Dhaka 1230, Bangladesh

Tel: +88(02)8917393, +88(02)8912303 Fax: +88(02)8917096, Website: www.rakcerambd.com

“CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2006. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LIES WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER, ISSUE MANAGER, UNDERWRITER AND/OR AUDITOR”





## Availability of the prospectus

Prospectus of RAK Ceramics (Bangladesh) Limited may be obtained from following addresses:

Company	Contact person	Contact Number
<b>RAK Ceramics (Bangladesh) Limited</b> RAK Tower (7th, 8th & 9th Floor), Plot No 1/A, Jasimuddin Avenue Sector 3, Uttara Model Town, Dhaka 1230, Bangladesh	<b>Mr. Muhammad Shahidul Islam, ACS</b> Assistant Company Secretary	Tel: 8917393, 8912303 Fax: 8917096 acs@rakcerambd.com
Managers to the Issue	Contact person	Contact Number
Lead Issue Manager <b>IDLC Finance Limited</b> People's Insurance Bhaban (13th Floor), 36 Dilkusha C/A, Dhaka 1000  Joint Issue Manager <b>BRAC EPL Investments Limited</b> WW Tower(Level 9),68 Motijheel C/A, Dhaka 1000	<b>Mr. Md. Moniruzzaman, CFA</b> Head of Merchant Banking Division  <b>Mr. Aminul Haque, CFA</b> Head of Capital Markets	Tel: 9571842 Fax: 9571095 mzaman@idlc.com  Tel: 8819421-5 Fax: 8819426-7 amin@bracepl.com
Registrar to the Issue	Contact person	Contact Number
<b>Prime Finance &amp; Investment Limited</b> 63 Dilkusha C/A, Dhaka 1000	<b>Mr. Md. Reazul Haque</b> SVP & Head of Merchant Bank	Tel: 9569883 Fax: 9563692 mbanking@primefinance.net
Underwriters	Contact person	Contact Number
<b>ICB Capital Management Limited</b> Shilpa Bank Bhaban (14th Floor) 8 DIT Avenue, Dhaka 1000	<b>Mr. Md. Abdur Rouf</b> Chief Executive Officer	Tel: 7160326, 7160327 Fax: 9555707 ceocmcl@accessstel.net
<b>Prime Bank Limited</b> People's Insurance Bhaban (11th Floor), 36 Dilkusha C/A, Dhaka 1000	<b>Mr. Khandokar Raihan Ali</b> First Assistant Vice President	Tel: 9555674, 9557688 Fax: 9559257 sonim@primebank.com.bd
<b>Trust Bank Limited</b> People's Insurance Bhaban (12th Floor), 36 Dilkusha C/A, Dhaka 1000	<b>Mr. Md. Ahsan Ullah</b> SVP & Head of Marchant Banking	Tel: 7117567 Fax: 7161467
<b>LankaBangla Finance Limited</b> Stock Exchange Building, 9/F Motijheel C/A, Dhaka	<b>Mr. M. Shakil Islam Bhuiyan</b> Assistant Vice President Merchant Banking Division	Tel: 9561238, 9561107 Fax: 9561107 shakil.bhuiyan@lankabangla.com
<b>Prime Finance &amp; Investment Limited</b> 63 Dilkusha C/A, Dhaka 1000	<b>Mr. Md. Reazul Haque</b> SVP & Head of Merchant Bank	Tel: 9569883 Fax: 9563692 mbanking@primefinance.net
<b>Bangladesh Mutual Securities Limited</b> Shareef Mansion (7th Floor) 56-57 Motijheel C/A, Dhaka 1000	<b>Mr. Sumon Chandra Modak</b> Asstt. Vice President	Tel: 7169428, 9570624 Fax: 7123820



<b>Underwriters</b>	<b>Contact person</b>	<b>Contact Number</b>
<b>Southeast Bank Limited</b> 1 Dilkusha C/A, (3rd Floor) Dhaka 1000	<b>Mr. Jahidur Rahman</b> Senior Assistant Vice President	Tel: 9550081 Fax: 7174272
<b>Eastern Bank Limited</b> Jiban Bima Bhaban (2nd Floor) 10 Dilkusha C/A, Dhaka 1000	<b>Mr. Md. Sayadur Rahman</b> Head of Investment Banking	Tel: 9556360 Fax: 9562364 rahmanmsr@ebl-bd.com
<b>Green Delta Insurance Co. Ltd.</b> Hadi Mansion (5th Floor) 2, dilkusha C/A, Dhaka 1000	<b>Mr. Abdul Mannan</b> Executive Vice President	Tel: 9560005 Fax: 9562345 gdic@bol-online.com
<b>BRAC EPL Investments Limited</b> WW Tower(Level 9),68 Motijheel C/A, Dhaka 1000	<b>Mr. Aminul Haque, CFA</b> Head of Capital Markets	Tel: 8819421-5 Fax: 8819426-7 amin@bracepl.com
<b>IDLC Finance Limited</b> People's Insurance Bhaban (13th Floor), 36 Dilkusha C/A, Dhaka 1000	<b>Mr. Md. Moniruzzaman, CFA</b> Head of Merchant Banking Division	Tel: 9571842 Fax: 9571095 mzaman@idlc.com
<b>Stock Exchanges</b>	<b>Available at</b>	<b>Contact Number</b>
<b>Dhaka Stock Exchange Limited</b> 9/F Motijheel C/A, Dhaka 1000	DSE Library	7175705-9
<b>Chittagong Stock Exchange Limited</b> CSE Building, 1080, Sheikh Mujib Road Chittagong 4100	CSE Library	031-714632-3 031-720871-3

Prospectus would also be available on the web site of SEC ([www.secbd.org](http://www.secbd.org)), DSE ([www.dsebd.org](http://www.dsebd.org)), CSE ([www.csebd.com](http://www.csebd.com)), RAK Ceramics (Bangladesh) Limited ([www.rakcerambd.com](http://www.rakcerambd.com)) and Issue Managers ([www.idlc.com](http://www.idlc.com), [www.bracepl.com](http://www.bracepl.com)) and Public Reference Room of the Securities and Exchange Commission (SEC) for reading and studying.

### **Name and Address of the Auditors**

**K. M. Hasan & Co**  
Chartered Accountants  
Home Town Apartment (8th & 9th Floors)  
87, New Eskaton Road, Dhaka 1000

**S. F. Ahmed & Co**  
Chartered Accountants  
(A technical assistant firm of Earnst & Young  
International, Inc of New York, USA in Bangladesh)  
House 25, Road 13A, Block D, Banani, Dhaka 1213



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## Glossery

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### A

ADX	Abu Dhabi Stock Market
AED	Arab Emirates Dirhams
AGM	Annual General Meeting

### B

B/G	Bank Guarantee
BAS	Bangladesh Accounting Standards
BDT	Bangladeshi Taka
BO	Beneficial Owners
BODs	Board of Directors
BRAC EPL	BRAC EPL Investments Limited
BSTI	Bangladesh Standards & Testing Institute

### C

CAGR	Compound Annual Growth Rate
CDBL	Central Depository Bangladesh Ltd.
CIB	Credit Information Bureau
CICS	Ceramic Industry Certification Scheme
CMA	Cost & Management Accountant
COGS	Cost of goods sold
CRISL	Credit Rating information & Services Ltd.
CSE	Chittagong Stock Exchange
CTG customs	Chittagong Custom

### D

DDM	Dividend Discount Model
DOE	Department of Environment
DPS	Dividend Per Share
DSE	Dhaka Stock Exchange

### E

EII	Eligible Institutional Investors
EMS	Express Mail Service
ETP	Effluent Treatment Plant

### F

FC	Foreign Currency
FICCI	Foreign Investors Chambers of Commerce & Industries
FY	Financial year

### G

GBP	Great Britain Pound
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### H

HR	Human Resource
----	----------------

### I

IDLC	IDLC Finance Limited
IFC	International Financial Corporation
ISO	International Organization for Standardization

### L

LT	Long Term
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### M

M& A	Mergers and Acquisition
MN	Millions
MNCs	Multinational companies
MWH	Mega Watt Hours

### N

NAV	Net Asset Value
NBFIs	Non Banking Financial Institutions
NRBs	Non Resident Bangladeshis

## Glossery

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### P

P/BV	Price book value ratios
P/E Multiple	Price earning multiple
P/E ratio	Price earnings ratio
PBT	Profit before tax
PCS	Pieces
PSC	Public Shareholding Company
PV Factors	Present value factors

### Q

QC	Quality control
----	-----------------

### R

R& D	Research and Development
RAK	Ras Al Khaimah
REB	Rural Electrification Board
REHAB	Real Estate and Housing Association of Bangladesh
ROAA	Return on Average Assets After Tax
ROACE	Return on Average Capital Employed

ROAE	Return on Average Equity After Tax
ROE	Return on Equity
RRR	Required Rate of Return

### S

SEC	Securities and Exchange Commission
SP. Charge	Special charges
SQ .FT.	Square feet
SQM	Square meters

### T

TK	Taka
TT Clean	Spot Buying Rate

### U

UAE	United Arab Emirates
USD	US dollars

### V

VAT	Value added tax
-----	-----------------

## Section-I

# Statutory Conditions

### Disclosure in respect of issuance of security in DEMAT form

As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (right/bonus) will be issued in dematerialized form only.

### Conditions under section 2CC of the securities and exchange ordinance, 1969

The commission hereby accords its consent under Section 2A, Sub-sections (2)(a) and (2)(b) read with Section 2B of the Securities and Exchange Ordinance, 1969 and the Securities and Exchange Commission (Public Issue) Rules, 2006, based on all the above documents and information provided to SEC, to the further issue of 3,45,10,000 ordinary shares of Tk. 10.00 each at an issue price of Tk. 48.00 (cut off price set by the Eligible Institutional Investors) worth Tk. 165,64,80,000.00 (Taka one hundred sixty five crore sixty four lac eighty thousand). Of this 3,45,10,000 ordinary shares, Eligible Institutional Investors have subscribed 69,02,000 ordinary shares at Tk. 48/- per share and the remaining 2,76,08,000 ordinary shares at an issue price of Tk 48/- per share (cut off price) will be offered for General Public, NRB, Mutual Funds and Collective Investment Scheme registered with the Commission only through public offer and approves the prospectus of RAK Ceramic (Bangladesh) Limited (hereinafter referred to as 'issuer' or 'company'), subject to the following conditions impose under section-2CC of the said Ordinance, as mentioned under Part- A, B, C and D namely:-

#### PART-A

1. The company shall go for Initial Public Offer (IPO) for 34,510,000 Ordinary Shares of Taka 10/- per share at an issue price of Taka 48/- at worth Taka Tk. 165,64,80,000.00 (Taka one hundred sixty five crore sixty four lac eighty thousand) following the Securities and Exchange Commission (Public Issue) Rules, 2006, the Depository Act, 1999 and regulations made there under.
2. The abridged version of the prospectus, as approved by the Commission, shall be published by the issuer in 4 (Four) national daily newspapers (two in Bangla and two in English), within **3 (Three) working days** of issuance of the consent letter. The issuer shall post the full prospectus, vetted by the Securities and Exchange Commission, in the issuer's website and shall also put on the websites of the Commission, stock exchanges, and the issue manager, within 3 (Three) working days from the date of issuance of this letter and shall remain posted till the closure of the subscription list. The issuer shall submit to SEC, the stock exchanges and the issue managers a diskette containing the text of the vetted prospectus in "MS -Word" format.

3. Sufficient copies of prospectus shall be made available by the issuer so that any person requesting a copy may receive one. A notice shall be placed on the front of the application form distributed in connection with the offering, informing that interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue managers. The subscription application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus has been published.
4. The company shall submit 40 (Forty) copies of the printed prospectus to the Securities and Exchange Commission for official record within **5 (Five) working** days from the date of publication of the abridged version of the prospectus in the newspaper.
5. The issuer company and the issue managers shall ensure transmission of the prospectus, abridged version of the prospectus and relevant application forms for NRBs through e-mail, simultaneously with publication of the abridged version of the prospectus, to the Bangladesh Embassies and Missions abroad and shall also ensure sending of the printed copies of abridged version of the prospectus and application forms to the said Embassies and Missions within 5 (Five) working days of the publication date by Express Mail Service (EMS) of the postal department. A compliance report shall be submitted in this respect to the SEC jointly by the issuer and the issue managers within 2 (Two) working days from the date of said dispatch of the prospectus and the forms.
6. The paper clipping of the published abridged version of the prospectus, as mentioned at **condition no. 2 above**, shall be submitted to the Commission within 24 hours of the publication thereof.
7. The company shall maintain separate bank account(s) for collecting proceeds of the Initial Public Offering and shall also open Foreign Currency (FC) account(s) to deposit the application money of the Non Resident Bangladeshis (NRBs) for IPO purpose, and shall incorporate full particulars of said FC account(s) in the prospectus. The company shall open the above-mentioned accounts for IPO purpose; and close these accounts after refund of over-subscription money. Non-Resident Bangladeshi (NRB) means Bangladeshi citizens staying abroad including all those who have dual citizenship (provided they have a valid Bangladeshi passport) or those, whose foreign passport bear a stamp from the concerned Bangladesh Embassy to the effect that no visa is required for traveling to Bangladesh.
8. The issuer company shall apply to all the stock exchanges in Bangladesh for listing within 7 (Seven) working days from the date of issuance of this letter and shall simultaneously submit the vetted prospectus with all exhibits, as submitted to SEC, to the stock exchanges.
9. The following declaration shall be made by the company in the prospectus, namely: -

**Declaration about Listing of Shares with the Stock Exchange(s):**

“None of the stock exchange(s), if for any reason, grants listing within 75 (Seventy Five) days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within 15 (Fifteen) days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (Seventy Five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid 15 (Fifteen) days, the Directors of the company, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (Two Percent) per month above the bank rate, to the subscribers concerned.

The issue managers, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within 7 (Seven) days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money.”

10. The subscription list shall be opened and the sale of securities commenced after **25 (Twenty Five) days** of the publication of the abridged version of the prospectus and shall remain open for **5 (Five) consecutive banking days**.
11. A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking “Account Payee only”. The NRB applicants shall send applications to the issuer company within the closing date of the subscription so as to reach the same to the company by the closing date plus 9 (Nine) days. Applications received by the company after the above time period will not be considered for allotment purpose.
12. The company shall apply the spot buying rate (TT clean) in US Dollar, UK Pound Sterling and Euro of Sonali Bank, which shall be mentioned in the Prospectus, as prevailed on the date of opening of the subscription for the purpose of application of the NRBs and other non-Bangladeshi persons, wherever applicable.
13. The company and the issue managers shall ensure prompt collection/clearance of the foreign remittances of NRBs and other non-Bangladeshi(s), if applicable, for allotment of shares.
14. Upon completion of the period of subscription for securities, the issuer and the issue managers shall jointly provide the Commission and the stock exchanges with the preliminary status of the subscription within 5 (Five) working days, in respect of the following matters, namely: -
  - (a) Total number of securities for which subscription has been received;
  - (b) Amount received from the subscription; and
  - (c) Amount of commission paid to the bankers to the issue.

15. The issuer and the issue managers shall jointly provide the Commission and the stock exchanges with the list of valid and invalid applicants (i.e. final status of subscription) in electronic form in 2 (Two) CDs and final status of subscription to the Commission within **3 (Three) weeks** after the closure of the subscription along with bank statement (original), branch-wise subscription statement. The list of valid and invalid applicants shall be finalized after examination with the CDBL in respect of BO accounts and particulars thereof.
16. The IPO shall stand cancelled and the application money shall be refunded immediately (but not later than 5 (Five) weeks from the date of the subscription closure), if any of the following events occur:
  - (a) Upon closing of the subscription list it is found that the total number of valid applications (in case of under subscription including the number of the underwriter) is less than the minimum requirement as specified in the listing regulations of the stock exchange(s) concerned; or
  - (b) At least 50% of the IPO is not subscribed.
17. **20% of the total public offering of 3,45,10,000 ordinary shares shall be reserved for Institutional bidders, 10% of total public offering shall be reserved for Non-Resident Bangladeshis (NRBs) and 10% for mutual funds and collective investment schemes registered with the Commission and the remaining 60% or the total public offering shall be open for subscription by the general public.** In case of under subscription under any of the 10% categories mentioned above, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue managers shall jointly conduct an open lottery of all the applicants added together.
18. All the applicants shall first be treated as applied for one minimum **market lot of 200 shares worth Taka 9,600/-** (Taka Nine Thousand Six Hundred only). If, on this basis, there is over subscription, then lottery shall be held amongst the applicants allocating one identification number for each application, irrespective of the application money. In case of over-subscription under any of the categories mentioned hereinabove, the issuer and the issue managers shall jointly conduct an open lottery of all the applications received under each category separately in presence of representatives from the issuer, the stock exchanges and the applicants, if there be any.
19. **An applicant cannot submit more than two applications, one in his/her own name and the other jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of the application money may be forfeited by the Commission.**
20. Lottery (if applicable) shall be held within **4 (Four) weeks** from closure of the subscription date.

## Trend Setters

21. The company shall issue share allotment letters to all successful applicants within 5 (Five) weeks from the date of the subscription closing. Within the same time, refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid for by the applicants without any interest, through direct deposit to the applicant's bank account as far as possible/ Account Payee Cheque/ refund warrants with bank account number, bank's name and branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be subject to condition no. 19 above.

Refund money of the unsuccessful applicants shall be credited directly to their respective bank accounts, who have chosen the option in the IPO application forms, as maintained with the bankers to the issue or any other banks mentioned in the application.

A compliance report in this regard shall be submitted to the Commission within 7 (Seven) weeks from the date of closure of subscription.

22. The company shall furnish the List of Allotees to the Commission and the stock exchange(s) simultaneously in which the shares will be listed, within **24 (Twenty Four) hours of allotment**.
23. In the event of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s) (subject to Para -16 above). The issuer must notify the underwriters to take up the underwritten shares within 10 (Ten) days of the closing of subscription on full payment of the share money within 15 (Fifteen) days of the issuer's notice. The underwriter shall not share any underwriting fee with the issue managers, other underwriters, issuer or the sponsor group.
24. All issued shares of the issuer except the institutional bidders shares, at the time of according this consent shall be subject to a **lock-in period of 3 (Three) years** from the date of issuance of prospectus or commercial operation, whichever comes later.

Provided that the persons (other than Directors and those who hold 5% or more shares in the company), who have subscribed to the shares of the company within immediately preceding two years of according consent shall be subject to a **lock-in period of 1 (One) year** from the date of issuance of prospectus or commercial operation, whichever comes later.

Provided further that there shall be a **lock-in period of 15 (Fifteen) trading days** from the first trading day on the security issued to the eligible institutional investors.

25. **In respect of shares of Sponsors/ Directors/ Promoters (if in paper format) shall be handed over to security custodian bank registered with SEC and shall remain till completion of lock in and the name and branch of the bank shall be furnished to the commission jointly by the issuer and issue managers, along with a confirmation thereof from the custodian bank, within one week of listing of the shares with the stock exchange(s). Or they (shares of Sponsors/ Directors/ Promoters) can be demated and will remain in lock in under CDBL system and issuer will submit a dematerialization confirmation report generated by CDBL**

**and attested by Managing Director of the company along with lock in confirmation with SEC within one week of listing of the shares with the stock exchange(s). In respect of shares of Sponsors/ Directors/ Promoters the issuer will ensure their lock in of those shares and submit a statement to this effect to SEC.**

26. The company shall apply to the stock exchanges for listing within 7 (Seven) working days of issuance of this letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.
27. The Company shall not declare any benefit other than cash dividend based on financial statement for the period ended June 30, 2009.

#### **PART-B**

1. IDLC Finance Limited, the Lead Issue Manager and BRAC EPL Investments Limited, the joint issue manager, shall ensure that the abridged version of the prospectus and the full prospectus is published correctly and in strict conformity with the conditions of this letter without any error/ omission, as vetted by the Securities and Exchange Commission.
2. The issue managers shall carefully examine and compare the published abridged version of the prospectus on the date of publication with the copy vetted by SEC. If any discrepancy/ inconsistency is found, both the issuer and the issue managers shall jointly publish a corrigendum immediately in the same newspapers concerned, simultaneously endorsing copies thereof to SEC and the stock exchange(s) concerned, correcting the discrepancy/inconsistency as required under 'Due Diligence Certificates' provided with SEC.
3. Both the issuer company and the issue managers shall, immediately after publication of the prospectus and its abridged version, jointly inform the Commission in writing that the published prospectus and its abridged version are verbatim copies of the same as vetted by the Commission.
4. The fund collected through Public Offering shall not be utilized prior to listing with stock exchanges and that utilization of the said fund shall be effected through banking channel, i.e. through account payee cheque, pay order or bank drafts etc.
5. The company shall furnish report to the Commission on utilization of Public Offering proceeds within **15 (Fifteen) days** of the closing of each quarter until such fund is fully utilized, as mentioned in the schedule contained in the prospectus, and in the event of any irregularity or inconsistency, the Commission may employ or engage any person, at issuer's cost, to examine whether the issuer has utilized the proceeds for the purpose disclosed in the prospectus.
6. All transactions, excluding petty cash expenses, shall be effected through the company's bank account(s).



## Trend Setters

7. Proceeds of the Public Offering shall not be used for any purpose other than those specified in the prospectus. Any deviation in this respect must have prior approval of the shareholders in the shareholders Meeting under intimation to SEC and stock exchanges.
8. Directors on the Company's Board will be in accordance with applicable laws, rules and regulations.

### PART-C

1. All the above conditions imposed under section 2CC of the Securities and Exchange Ordinance, 1969 shall be incorporated in the prospectus immediately after the page of the table of contents, with a reference in the table of contents, prior to its publication.
2. The Commission may impose further conditions/restrictions etc. from time to time as and when considered necessary which shall also be binding upon the issuer company.

### PART-D

1. As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (Including rights/bonus) will be made in dematerialized form only.

An applicant (including NRB) shall not be able to apply for allotment of shares without Beneficial Owners (BO) account.

2. The company along with the issue managers and registrar to the issue shall ensure due compliance of all the above conditions and the Securities & Exchange Commission (Public Issue) Rules, 2006.

## **Consent to commence bidding by the eligible institutional investors for price discovery of issuance of 34,510,000 ordinary shares of RAK Ceramics (Bangladesh) Limited**

The Commission hereby accords its consent under section 2A, sub-sections (2)(a) and (2)(b), read with section 2B of the Securities and Exchange Ordinance, 1969 and the Securities and Exchange Commission (Public Issue) Rules, 2006, based on all the above documents and information provided to SEC, to commence bidding by the eligible institutional investors for price discovery of further issue of 3,45,10,000 ordinary shares of R.A.K. Ceramics (Bangladesh) Ltd. (hereinafter referred to as 'issuer' or 'company') through public offer, subject to the following conditions imposed under section-2CC of the said Ordinance:

1. The indicative price Tk.40.00 (taka forty) only shall be the basis for formal price building with an upward and downward band of 20% (twenty percent) of indicative price within which eligible institutional investors shall bid for the allocated amount of security;

2. If institutional quota is not cleared at 20% (twenty percent) below indicative price, the issue will be considered cancelled unless the floor price is further lowered within the face value of security, provided that, the issuer's chance to lower the price shall not be more than once;
3. Prospectus will have to be posted on the Websites of the Commission , stock exchanges, issue manager and issuer at least two weeks prior to the start of the bidding to facilitate investors to know about the company and all aspect of offering;
4. No institutional investor shall be allowed to quote for more than 10% (ten percent) of the total security offered for sale, subject to maximum of 5 (five) bids;
5. Institutional bidding period will be 3 to 5 (three to five) working days;
6. The bidding will be handed through a uniform and integrated automated system of the stock exchanges, especially developed for book building method;
7. The volume and value of bid at different prices will be displayed on the monitor of the said system without identifying the bidder;
8. The institutional bidders will be allotted security on pro-rata basis at the weighted average price of the bids that would clear the total number of securities being issued to them;
9. Institutional bidders shall deposit their bid with 20% (twenty percent) of the amount of bid in advance to the designated bank account and the rest amount to settle the dues against security to be issued to them shall be deposited within 5(five) working days prior to the date of opening subscription for general investors. In case of failure to deposit remaining amount that is required to be paid by institutional bidders for full settlement of the security to be issued in their favor, 50% (fifty percent) of bid money deposited by them shall be forfeited by the commission. The securities earmarked for the bidder who defaulted in making payment shall be added to the general investor quota;
10. General investors, which include mutual funds and NRBs, shall buy at the cut-off price;
11. There shall be a time gap of 25 (twenty five) working days between closure of bidding by eligible institutional investors and subscription opening for general investors;
12. Subscription for general investors shall remain open for 5 (five) consecutive banking days;
13. General investors shall place their application through banker to the issue;
14. All application money shall be kept in a separate escrow account opened with a designated bank with prior intimation to the Commission. Issuer will not be allowed to utilize such money until all the process of issue is completed and Commission's consent to this effect is obtained;

## Trend Setters

15. There shall be lock-in of 15 (fifteen) trading days from the first trading day on the security issued to the eligible institutional investors;
16. Within 5 (five) days of completion of the bidding process, the issuer and issue managers shall submit to the Commission, the following papers/documents for final approval of the prospectus:
  - i. 10 (ten) copies of draft prospectus duly signed by the issuer and issue managers containing among others, the cut-off price and weighted average price as discovered through the bidding process, date of opening and closing of subscription for the general investors, number of shares to be allotted to each category of investors and a statement of shares to be allotted to each of the eligible institutional investors;
  - ii. Statement of the designated bank account evidencing deposit of money paid in advance by the eligible institutional investors;
  - iii. Hard copy and soft copy of the bidding results;
17. The company along with the issue Managers and Registrar to the Issue shall ensure due compliance of the above and the Securities and Exchange Commission (Public Issue) Rules, 2006.

## General information

1. IDLC Finance Limited, the Lead Issue Manager and BRAC EPL Investments Limited, the Joint Issue manager have jointly prepared this prospectus based on the information provided by RAK Ceramics (Bangladesh) Limited (Issuer) and also upon several discussions with the Managing Director and concerned executives of the issuer company. The Directors, including Managing Director, of RAK Ceramics (Bangladesh) Limited, IDLC Finance Limited and BRAC EPL Investments Limited collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material aspects and that there are no other material facts, the omission of which would make any statement herein misleading.
2. No person is authorized to give any information or to make any representation not contained in this Prospectus, and if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer Company or Issue Manager.
3. The Issue as contemplated in this document is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Prospectus to any person resident outside Bangladesh in no way implies that the Issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.
4. A copy of this Prospectus may be obtained from the Head Office of RAK Ceramics (Bangladesh) Limited, IDLC Finance Limited (IDLC), BRAC EPL Investments Limited (BRAC EPL), the Underwriters and the Stock Exchanges where the securities will be listed.

## Section-II

### Declarations and due diligence certificates

**Declaration about the responsibility of the director(s), including The CEO of the company “RAK Ceramics (Bangladesh) limited” In respect of the prospectus**

This Prospectus has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquiries that all conditions concerning this public issue and prospectus have been met and that there are no other information or documents, the omission of which make any information or statements therein misleading for which the Commission may take any civil, criminal or administrative action against any or all of us as, it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus to enable the investors to make a well-informed decision for investment.

Sd/-  
Dr. Khater Massaad  
Chairman

Sd/-  
Mr. S.A.K. Ekramuzzaman  
Managing Director

Sd/-  
Mr. Hamad Abdullah Al Muttawa  
Director

Sd/-  
Mr. Abdallah Massaad  
Director  
(Nominee of RAK Ceramics PSC, UAE)

Sd/-  
Mr. Manoj Aheeray  
Director  
(Nominee of RAK Ceramics PSC, UAE)

## Trend Setters

### Consent of Director(s) to serve as Director(s)

We hereby confirm that we have been serving as Director(s) of RAK Ceramics (Bangladesh) Limited and continue to act as a Director of the Company.

Sd/-  
Dr. Khater Massaad  
Chairman

Sd/-  
Mr. S.A.K. Ekramuzzaman  
Managing Director

Sd/-  
Mr. Hamad Abdullah Al Muttawa  
Director

Sd/-  
Mr. Abdallah Massaad  
Director  
(Nominee of RAK Ceramics PSC, UAE)

Sd/-  
Mr. Manoj Aheeray  
Director  
(Nominee of RAK Ceramics PSC, UAE)

### Declaration about filing of prospectus with the Registrar of Joint Stock Companies and Firms

A dated and signed copy of the Prospectus has been filed for registration with the Registrar of Joint Stock Companies and Firms, Government of the Peoples' Republic of Bangladesh, as required under Section 138(1) of the Companies Act, 1994 on or before the date of publication of the prospectus.

### Declaration by the issuer about the approval from Securities and Exchange Commission for any material changes

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statements made in the Prospectus subsequent to the preparation of the Prospectus and prior to its publication, shall be incorporated in the Prospectus and the said Prospectus should be published with the approval of the Commission.

For Issuer

Sd/-  
Mr. S.A.K. Ekramuzzaman  
Managing Director  
RAK Ceramics (Bangladesh) Limited

## Declaration by the issue managers about the approval from Securities and Exchange Commission for any material changes

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the Prospectus and prior to its publication, shall be incorporated in the Prospectus, and the said Prospectus should be published with the approval of the Commission.

For Managers to the Issue

Sd/-  
Mr. Selim R. F. Hussain  
CEO & Managing Director  
IDLC Finance Limited

Sd/-  
Mr. Khaled Yusuf Farazi  
Chief Executive Officer  
BRAC EPL Investments Limited

## Due diligence certificate of the managers to the issue

Subject: Public Offer of 27,608,000 Ordinary Shares of Tk. 10/- each at an issue price of Tk. 48/- each, totaling to Tk. 1,325,184,000/- of RAK Ceramics (Bangladesh) Limited

We, the under-noted Managers to the Issue to the above-mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials as relevant for adequate disclosures to the investors; and
2. On the basis of such examination and discussions with the issuer company, its Directors and officers, and other agencies, independent verification of the statements concerning objects of the issue, and the contents of the documents, and other materials furnished by the issuer company.

### WE CONFIRM THAT:

- (a) The draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) All the legal requirements connected with the said issue have been duly complied with; and
- (c) The disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue.

For Managers to the Issue

Sd/-  
Mr. Selim R. F. Hussain  
CEO & Managing Director  
IDLC Finance Limited

Sd/-  
Mr. Khaled Yusuf Farazi  
Chief Executive Officer  
BRAC EPL Investments Limited

## Trend Setters

### Due diligence certificate of the underwriter(s)

Subject: Public Offer of 27,608,000 Ordinary Shares of Tk. 10/- each at an issue price of Tk. 48/- each totaling to Tk. 1,325,184,000/- of RAK Ceramics (Bangladesh) Limited

We, the under-noted Underwriter(s) to the above mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant for our underwriting decision; and
2. On the basis of such examination; and the discussions with the issuer company, its Directors and officers, and other agencies, independent verification of the statements concerning objects of the issue, and the contents of the documents, and other materials furnished by the issuer company.

### WE CONFIRM THAT:

- (a) All information as are relevant to our underwriting decision have been received by us and that the draft prospectus forwarded to the Commission has been approved by us;
- (b) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within fifteen (15) days of calling up thereof by the issuer; and
- (c) This underwriting commitment is unequivocal and irrevocable.

For Underwriter(s)

Sd/-

Managing Director/Chief Executive Officer/Director

ICB Capital Management Limited

Prime Bank Limited

Eastern Bank Limited

Prime Finance & Investments Ltd

Southeast Bank Limited

LankaBangla Finance Limited

Green Delta Insurance Limited

Trust Bank Limited

BRAC EPL Investments Ltd.

Bangladesh Mutual Securities Ltd

IDLC Finance Limited

## Section-III

# Risk factors & Management's perception about the risks

An investment in equity shares involves a high degree of risk. The company is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments by the investors. All investors should carefully consider all of the information in this Prospectus, including the risk factors, both external and internal, and management perception thereabout enumerated hereunder before making an investment decision. If any of the following risks actually occur, their business, results of operations and financial condition could suffer, the trading price of their equity shares could decline, and investors may lose all or part of their investment.

### (a) Interest rate risks

Interest rate risk is concerned with borrowed funds of short term and long-term maturity. Interest rate risk is the risk that company faces due to unfavorable movements in the interest rates. Volatility in money market and increased demand for loans/investment funds raise the rate of interest. A change in the Government's monetary policy also tends to increase the interest rates. High rate of interest enhances the cost of fund of a company and could adversely affect the business and future financial performance. Such rises in interest rates mostly affect companies having floating rate loans.

### *Management perception*

*RAK Ceramics (Bangladesh) Limited is cash rich company and operates with low independence on long term debt. Company maintains low debt/equity ratio, adverse impact of interest rate fluctuation is insignificant. The project was started with company own funds and expanded the capacity with own funds. Additionally, the management of the company emphasizes on equity based financing to reduce the dependency on borrowings. Therefore, management perceives that the fluctuation of interest rate on borrowing would have little impact upon the performance of the company.*

### (b) Exchange rate risks

Exchange rate risk is quite relevant for RAK Ceramics (Bangladesh) Limited since a large proportion of its raw materials need to be imported from abroad. The Company imports raw materials against payment of foreign currency and the price of raw material in the international market is relatively volatile. Unfavorable volatility or currency fluctuation may affect the profitability of the Company. If exchange rate is increased against local currency opportunity will be created for generating more profit.



## Trend Setters

### **Management perception**

*Volatility of Taka against Dollar and recent trend of local currency devaluation may expose foreign currency risk. In such cases, the management of the company is confident to significantly cushion the foreign currency risk and price escalation risk through forward contracts if it is justifiable in terms of the cost benefit analysis. The company has been hedging exchange rate risk by strategic purchases of raw materials, consumables & forward booking of foreign currency. The parent Company has database of over 2500 suppliers all over the world with whom they are dealing for more than last 15 years, normally parent company does a global resource planning exercise on monthly basis which takes care of resource procurement schedules, currency fluctuation escalation factor.*

### **(c) Industry risks**

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Ceramic industry in Bangladesh is an emerging sector with vast local demand for its differentiated product lines. Locally produced ceramics products now play a significant role in this sector, which has being dominated by imports in the past.

### **Management perception**

*RAK Ceramics (Bangladesh) Limited is known in the market as innovative technology driven capital intensive company, it has track record to upkeep with technology investment which proven them as trend setters. Also due to its superior quality and competitive pricing, wide variety of product range, RAK Ceramics (Bangladesh) Limited has been able to capture a dominant position in the market and has a brand equity presence in the local market. The company is continuously working on product development through research and development (R&D), improved designs and service to keep pace with the customer choices, fashion and design. The company being a market leader in the ceramic tiles and sanitary ware products in Bangladesh has already captured over one fourth of the tiles market and more than two third of the sanitary ware market. As a result, company is quite well insulated from the risks of greater competition from both local and foreign sources.*

*With strong brand equity, the management is confident that the new entrants will not be a considerable threat for the company. Being the market leader with the best quality product, operational efficiency, organized marketing and distribution network, there is little opportunity for others to become a significant competitor. Use of tiles becomes necessity in absence of any other alternate product and due to technological revolution, hygiene, homogenous matters, age over pitfalls of traditional marbles & stones. It has become priority of literate segment in urban and semi-urban areas to use ceramics & homogenous tiles due to its better excelled tested & recognized norms of international technical parameters, to name a few terms- water absorption, surface flatness, linear thermal expansion, modulus of rupture, resistance to absorption & thermal shocks*

The reforming budget for 2009-10 has introduced various schemes for housing and realty sector which will strengthen tiles and sanitary ware demand in coming years. The silent features of provisions of Finance Budget 2009-2010 having positive impact on Tiles and sanitary ware products summarized as follows:

- a) *Vision 2021: Government shall provide accommodation for all by 2021. As a preliminary step, the ministry of Housing and Public works has worked out to develop 22,800 plots and construct 26,000 apartments in the next 3 years for lower and middle income group.*
- b) *Government has taken the steps to revise National Housing Policy, 1999 to make housing and construction activities safer, sustainable and streamlined.*
- c) *Acceptance of investment incurred for the purchase of flat or construction of house without any question by paying a tax at the specified rate.*
- d) *To discourage import of tiles and sanitary ware items supplementary duty on imports increased to 45% in place of existing 20%.*
- e) *Targeted GDP growth rate 10% by 2017 and share of industry 40% in place of existing 28%*

**(d) Market Risks**

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the product or service which would harm the performance of the company. On the other hand, strong marketing and brand management would help the company increase their customer base.

**Management perception**

*RAK has strong brand equity in the local market and due to their foreign affiliation; they are able to produce quality products at affordable prices. Moreover, for a growing economy like Bangladesh, there would always be demand for Tiles and Sanitary Ware. The recent movement of the Government to permit the more in the housing sector will also roar the ceramic industry as a result RAK is expecting to have a significant market share in the upcoming days. Additionally, RAK is continuously penetrating new markets and developing new products to minimize the risk. The real estate developers have contributed immensely to the growing urbanization of the country. The financing provided by the specialized house finance institutions, multi product financial institutions and banks have provided a fillip to the real estate industry and, in tandem with the real estate developers contributed to a boom in the sector. This scenario is expected to continue in the foreseeable future. Therefore, the demand for tiles & sanitary wares in the country will continue to increase significantly. The industry friendly reformist budget for 2009-10 has introduced various schemes for housing and real estate sector which will strengthen construction & contracting sector demand in coming years.*

## Trend Setters

### (e) Technology related Risks

Technology always plays a vital role for the existence of any industrial concern, ensuring better services to the customers and minimizing the cost in various aspects. The production facilities of the company are based on currently available technology. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Any serious defects in the plant and machinery may affect production and profitability calling for additional investment for replacement.

#### **Management perception**

*RAK is continuously upgrading its technological levels and making it comparable to that of any other country. Establishment of new technology, on a regular basis substantially reduces cost & risk factors. RAK Ceramics has been known as modern technology and state of the art facilities with R&D infrastructure and shall be able to adapt to any new inventions with moderate investments. It uses latest Italian technology for its Tiles & sanitary ware production and also has a very modern testing lab. The Company has access to international/multinational companies for supplying appropriate technology and technical management support for operation of new projects & its foreign affiliation with RAK Ceramics PSC, UAE for technical know-how and technical assistance, the company is expected to be always ahead of the other producers in the local market which ultimately reduces the technology related risks for the company.*

### (f) Potential or Existing Government Regulations

The Company operates under Companies Act 1994 and other related regulations, Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act 1991 and Value Added Tax (VAT) Rules 1991. Any abrupt changes of the policies made by the regulatory authorities may adversely affect the business of the Company.

#### **Management perception**

*Unless any policy change that may negatively and materially affect the industry as a whole, the business of the Company is expected not to be affected significantly. Ceramic industry in Bangladesh is an emerging sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government will initiate any fiscal measure having adverse effect on the growth of the industry.*

### (g) Potential changes in Global or National Policies

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any scarcity or price hike of raw materials due to changes in policy in the international market might hamper the production and profitability. Furthermore, the performance of the company would also be hampered due to unavoidable circumstances both in Bangladesh and worldwide like political turmoil. Since the risk involved with the potential changes in global or

national policies is a macro factor, it is beyond the capability of RAK to control.

#### **Management perception**

*The management of RAK Ceramics is always concerned about the prevailing and upcoming future changes in the global or national policy and shall response appropriately and timely to safeguard its interest. Due to the strong brand equity of the company in the local market; and deep and profound knowledge the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which RAK will achieve its maximum potential. Political turmoil and the disturbance are bad for the economy as a whole and so also for the company. Government fiscal budget 2009-10 has provision to discourage imported goods & support to local manufacturer, Targeted GDP growth rate 10% by 2017 and share of industry 40% in place of existing 28% will further boost the industrial development.*

#### **(h) History of Non Operation:**

There is no history of non-operation in case of RAK Ceramics (Bangladesh) Limited since its commercial operation started. To overcome such risk in future, RAK has its own power backup, own water supply system and scientific inventory management system, which will reduce the risk.

#### **(i) Operational Risks:**

In order to minimize the operational risks due to shortage of power supply, RAK has entered into a Power Purchase Agreement with one of the sister concern of the Group Company named RAK Power Private Limited which is engaged in generation of power towards exclusive use into RAK Ceramics.

#### **(j) Management risk:**

Turnover of key managerial personnel, executives and officers may have adverse impact on business, operating results and future growth.

#### **Management perception**

*The Company places high priority in developing human resources. Importance is given to relevant on-the-job, in-house and external training programmes, so that the people are well equipped with necessary skills. In line with these beliefs, RAK has been offering competitive package to its employees of all ranks to encourage professionalism, stimulate team-work and promote innovation reinforced with high ethical standards. The company has reputation for cordial and congenial working environment. The staff turnover ratio is at its lowest point. The company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment, increase in customer expectations and growing sophistication of technology and processes. Succession strategy of the company develops alternative leaderships in all areas of its*

## Trend Setters

activities. Therefore, the management of RAK feels that company is well prepared to handle the situation in the foreseeable future.

### **(k) Distribution risk**

For any company, the most crucial wing is the distribution channel. Wide distribution network and control over the network is essential to make the quality product available to the consumer at right time and price.

#### **Management perception:**

RAK has strong presence in all over the country and for this purpose it has appointed 98 dealers for tiles and sanitary ware separately all over the country in urban & rural areas to sell the products of the company to ultimate customers.

### **(l) Risk associated with labour unrest:**

Smooth production is dependent on good relationship with the factory workers and their ability to provide high-quality services. In the event of disagreements with the workers, the company may experience adverse impact.

#### **Management perception:**

RAK maintains good atmosphere at the work place and provides all sort of facilities to the workers as per law of the land. The work force is well remunerated and most of them live in the surrounding areas or well equipped company provided accommodation facilities. So, it is unlikely for them to create such unrest. The company has healthy remuneration and welfare policies of the company for its human resources, which may reduce the risk of labor unrest. Again, to meet unique situations, company has alternative ways to overcome such critical circumstances.

### **(m) Input risk:**

RAK is greatly dependent on imported raw materials and also, supply of those raw materials cannot be ensured locally in case of crisis. Additionally, there is always a natural resources constraint in any specific area. Moreover, the local sources of raw material may be affected by any uncontrollable event or country risk to transaction or political barrier.

#### **Management perception:**

RAK is currently importing major raw materials from overseas based on quality and competitive prices. RAK has diversified sources to procure raw material and it is able to utilize the sources of parent Company RAK Ceramics PSC, UAE. RAK has backward integrated ventures which are always on task to globally source alternative sources. It has highly qualified R&D team at head quarter which is capable to alternative combination, mix to mitigate/absorb input price/source risk. Therefore, the

*operational risk involved with the input materials is insignificant for the company. The management perceives raw material risk to be a manageable risk as the company has sustainable margin of safety.*

**(n) Risk associated with capital market:**

An active trading market for RAK's shares may not develop. The prices of their shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Dhaka and Chittagong securities markets.
- Results of operations and performance, in terms of market share.
- Performance of Bangladesh economy and changes in government policies.
- Changes in future business operation and expansion of RAK's business.

***Management perception:***

*Bangladesh capital market in last two years has grown significantly. Experts view the Bangladesh market as one of the emerging markets in Asia. Moreover, the company has been showing steady earnings growth since its inception, and, therefore, the chance of adverse fluctuation in its market price because of the change in the performance of the company is remote. The Government has taken the development of securities market as a challenge and initiated a number of market friendly policies. Therefore, management expects that the market will be gradually matured and stabilized. Management also expects that the forthcoming developments in fiscal and environmental regulations will make the market more buoyant.*

## Section-IV

# Issue size & purpose of the Public Offering

## IPO size and Issue price

### Financial Summary of the Company

Particulars	No of Shares	Amount
Authorized Capital	300,000,000	3,000,000,000
Paid up capital as on 30 June, 2009 (as per audited accounts)	129,680,000	1,296,800,000
Share money deposits converted into paid up capital*	55,883,500	558,835,000
Paid up capital (Pre IPO)	185,563,500	1,855,635,000
Capital Raising**	10,000,000	100,000,000
To be issued as IPO	34,510,000	345,100,000
Paid up capital (Post IPO)	230,073,500	2,300,735,000

\* The Company raised its paid up capital from Taka 1,296,800,000 to 1,855,635,000 vide Securities and Exchange Commission letter no. SEC/CI/CPLC-183/09/195 dated 27 July 2009.

\*\* SEC has given consent vide its letter SEC/CI/CPLC-183/09/279 dated 7 October 2009, to raise paid up capital by issuing 10,000,000 ordinary shares.

The company is issuing 34,510,000 ordinary shares of Tk 10/- each through Initial public offering (IPO) at an issue price of Tk. 48/- each of which 6,902,000 ordinary shares were subscribed by Eligible Institutional Investors through Book Building Method and the remaining 27,608,000 ordinary shares will be placed for General Public, NRB, Mutual Funds and Collective Investment Scheme registered with the commission.

## Use of IPO Proceeds

RAK Ceramics (Bangladesh) Limited had an outstanding loan amounting to Tk. 1,220,453,209 (Taka One Thousand Two Hundred Twenty Million Four Hundred Fifty Three Thousand Two hundred Nine) only as on June 30, 2009 from the following banks:

Bank/Financial Institution	Loan Amount (Tk.)
Long Term Loan	
HSBC	105,000,000
Standard Chartered Bank	210,000,000
Total	315,000,000
Short Term Loan/Overdraft	
HSBC	174,377,011
Standard Chartered Bank	212,536,333
Citibank N.A.	518,539,865
Total	905,453,209
<b>Grand Total</b>	<b>1,220,453,209</b>

The company intends to use the net proceeds received from IPO (after adjusting for IPO expenses) to pay off the loans after listing and the balance amount for working capital, if there is any as determined by the Board of Directors.

**Implementation Schedule:** The net proceeds from the IPO shall be used to pay off the above mentioned loans and the balance amount (if there is any) shall be utilized for working capital within 3 months of receipt of the net proceed.

Terms of Contract: There is no such contract for repayment of any liability regarding above loan.

Sd/-  
Mr. S.A.K. Ekramuzzaman  
Managing Director  
RAK Ceramics (Bangladesh) Limited

Sd/-  
Mr. Sangam Lal  
Finance Controller  
RAK Ceramics (Bangladesh) Limited



## Section - V

### Information about the company

#### RAK Ceramics (Bangladesh) Limited- Company Profile

RAK Ceramics (Bangladesh) Limited, a UAE-Bangladesh joint venture company, was incorporated in Bangladesh on 26 November, 1998 as a private company limited by shares under the Companies Act 1994, later converted into public limited company. The name of the Company was thereafter changed from RAK Ceramics (Bangladesh) Private Limited to RAK Ceramics (Bangladesh) Limited as per resolution passed in extraordinary general meeting on 10 June 2008, certificate issued by the Registrar of Joint Stock Companies dated 11 February, 2009. It is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started its commercial production on 12 November, 2000. The commercial production of new sanitary ware plant was started on 10 January, 2004. Further expansion of the existing facilities of ceramics tiles plant took place in year 2004, and for tiles and sanitary plant were in year 2007.

RAK Ceramics (Bangladesh) Limited, 90% held by RAK Ceramics PSC, a company incorporated under the laws of UAE and remaining 10% owned by local investor Mr. S.A.K. Ekramuzzaman. RAK Ceramics PSC, UAE is presented by Dr. Khater Massaad as Chairman. With an annual turnover of over BDT 3248 million, within the short span of eight years RAK has firmly established itself as one of the leading manufacturer of high quality ceramic wall, floor tiles, gres porcellanato and sanitary wares products in Bangladesh.

RAK Ceramics PSC, UAE incorporated in 1989, is the parent company of RAK Ceramics (Bangladesh) Limited. RAK Ceramics PSC, UAE went public in 1998 and received an overwhelming response from the general public who showed immense confidence in the company. In October 2003 RAK Ceramics PSC, UAE was listed on Abu Dhabi Stock market (ADX). RAK Ceramics Group as whole has a manufacturing facilities in UAE, Bangladesh, China, Sudan, Iran & India. With a total asset size of group over AED 4,531.88 million (US\$ 1.24 Billion), the company opted for a long-term policy; to produce quality products, to be a respectable partner and to keep its customers satisfied. RAK Ceramics PSC, UAE drive for excellence and an insatiable appetite for quality and customer satisfaction were accredited with the ISO 9001 certification by CICS (Ceramic Industry Certification Scheme), UK in 1997 & ISO 14001 in 2008. At present, the company's products are being exported to more than 135 countries across five continents & has well established dealer's distribution network in more than 100 countries. RAK Ceramics PSC, UAE started its operations with one production line in June 1991 with an output of 5,000 square meters per day. With continued expansion programs and usage of sophisticated and latest machineries from the world leaders in Ceramic technology such as Sacmi, Barbieri & Tarrozzi, CIMES. RAK Ceramics PSC, UAE presently is engaged in the production of 225,000 square meters per day of Ceramic / Gres Porcellanato tiles & 8,500 pieces of sanitary wares per day.

Through its strong business franchise and financial performance, the Company is a regular recipient of business accolades.

- RAK Ceramics PSC was adjudged as “Company of the Year” by Arabian Business Achievement Award for 2004 and in 2005;
- RAK Ceramics was awarded the Mohammed Bin Rashid Al Maktoum Business Award for the Industry sector.
- In 2006, RAK Ceramics was rated ‘5A2’, highest in the region of Middle East, by Dun & Bradstreet.
- In 2007, UK based Brand-Finance PLC rated the RAK Ceramics brand as one of the top four valuable brands in the UAE with a rating of ‘AA-’.
- In 2008, a Washington DC, USA based Georgetown University has selected RAK Ceramics as subject of pedagogic case to form part of their course material for global manufacturing studies in MBA programme curriculum.
- In June 2009 RAK Ceramics has been awarded the “SUPER BRAND for 2009” by the council of SUPERBRANDS which is the world’s largest independent Brand arbiter,

**Certain technology drivers & noteworthy achievement as follows:**

- RAK Ceramics PSC is world no.1 tiles manufacturer in terms of production capacity
- UAE operation is single largest ceramics manufacturing facility in the world.
- RAK Ceramics was one of the pioneers in installing unique equipment. It was the first company to install the largest press in the industry—the “PH 7200”—enabling it to produce ceramic slabs as large as 125 cm by 185 cm
- RAK Ceramics also offered several unique and proprietary technical products like luminous tiles (tiles that emitted light in the dark, which took two years and several trials to develop), antimicrobial tiles (tiles that inhibited growth of bacteria), and custom-made designs by water jet.
- The range of RAK Ceramics products is unmatched with over 6000 tiles models & over 600 sanitary models. Smallest mosaics of size 2 cm x 2 cm and tiles of 10 cm x 10 cm to the largest slab in the industry 125 cm x 185 cm

**Nature of business**

The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sell of tiles and

## Trend Setters

sanitary wares. The company has over 1000 models active in the ceramic and porcelain tile business and regularly adds several new designs to the product portfolio. The company manufactures tiles in a very wide range of tiles in the sizes from 13 cm X 13 cm up to 60cm X 60cm in Bangladesh location. The company has over 40 models an exclusive range of sanitary ware to offer with a very wide choice. In sanitary ware various models are produced in wash basins (mounted as well as pedestal), water closets, bathroom sets, bath tubs, shower trays, bathroom cabinets, accessories and decorated sets. The plant standard capacity is 22,000 square meter tiles and 2,500 pieces of sanitary ware per day. Most of production is consumed in local market and balance gets exported to UAE. RAK Ceramics (Bangladesh) Limited is an ISO 9001:2008 certified organization.

## Principal products and services

RAK Ceramics (Bangladesh) Limited has been manufacturing and supplying a wide range of tiles and sanitary wares in the ceramic sector of Bangladesh since 2000. Excellent designs and pattern can be created using specially selected wall and floor tiles, borders, corners, listellos and capping. Many of RAK Ceramics' models come in modular designs, making it easier for the customer. The unique ambience patterns created using ceramic tiles and also Gres porcellanato tiles appeals most discerning customers. The company has two product lines, which are Tiles and Sanitary Ware. The company recently set up large scale Effluent Treatment Plant (ETP) to reduce environmental hazard, which started operation end of March, 2009.

### A. Tiles

- In the Ceramic Range, the company produces ceramic wall tiles, ceramic floor tiles, matching border & decor tiles, listellos and pencils & capping and few other related items.
- In Gres Procellanato (porcelain / fully vitrified tiles), the company produces thousands of glazed and unglazed porcelain, covering finishes such as polished, semi polished, unpolished, rustic, stone, travertine etc.
- In Bangladesh with three fold expansion Drive Company has reach capacity to produce over 8 million square meters of tiles per annum & has over 1000 different tiles models recipe. The salient features of the plants are:
  - **Gang of modern technological machineries:** versatile 5 press, long range 5 kilns & multipurpose 12 ball mills.
  - **Latest equipment & technological application:** Some unique patterns and finishes are acquired through new technologies such as Roto Printing, Double charge, Granitech, MDR, Technoslate, Twin Press and Dry Glaze etc. Some unique “antique style” finishes and many specialized finishes in tiles have been possible due to such advanced Gres Procellanto technology.

- **Modern European machinery:** robotic controlled TGV machines. Computer controlled guided vehicles transferred semi finished goods from station to station, robots picked and placed semi finished tiles in many production steps as well as in sorting and packing the finished tiles, skilled technicians in sophisticated control rooms monitored raw materials in blending mills, wet and dry grinding vessels, presses, kilns, drying and cooling cycles, and many other operations
- **Water jet cutting technology machines:** Facilitate unique water jet designs, and diamonds cutting machine tools help make beautiful vanity tops from gres procellanato slabs.
- **High Quality inputs:** Imported raw materials like soda feldspar, potash feldspar, clays from India, Indonesia, Malaysia, Thailand. Fritz & glazes from Spain & other European countries.
- **Ceramist R& D activity:** Active team of ceramist to challenge customer demand & device cost effective input recipe solutions.

#### B. Sanitary Ware

- In sanitary ware, various models of wash basin (mounted as well as pedestal), water closets (WC) and water tank (WT) accessories and decorated sets are produced.
- State of the art plants produces over 900,000 pieces per annum & over 40 different models of sanitaryware. The salient features of the plants are:
  - **Latest Italian Technology:** For production including computerized kilns.
  - **6 Medium Pressure Casting Plants:** For production of wash basin, pedestals, cisterns, lids and accessories.
  - **Battery Casting Moulds:** To produce water closets.
  - **Highest Quality Raw Materials:** Ball clay and kaolin from U.K., glazes from Spain and stains from Germany.
  - **In House Quality Control and Testing:** A laboratory of the highest standard.

## Trend Setters

### Products/service that accounts for more than 10% of the company's total revenue

There are three products of the company, which contribute more than 10% of the company's total revenue in the last accounting year. The following table illustrates the total turnover and respective percentage of all brands of RAK Ceramics (Bangladesh) Limited:

Brand Name	For the Year 1 Jan 2008 to 31 Dec 2008		For the Period 1 Jan to 30 June 2009	
	Net Turnover (Tk.)	Value contribution %	Net Turnover (Tk.)	Value contribution %
Ceramics Tiles	845,236,903	26.02	513,669,201	26.89
Granite Tiles	1,575,705,242	48.51	938,635,651	49.13
Sanitary Wares	827,043,733	25.47	458,044,029	23.98
Total Revenue	3,247,985,878	100.00	1,910,348,882	100.00

### Associates, subsidiary/related holding company and their Core areas of business

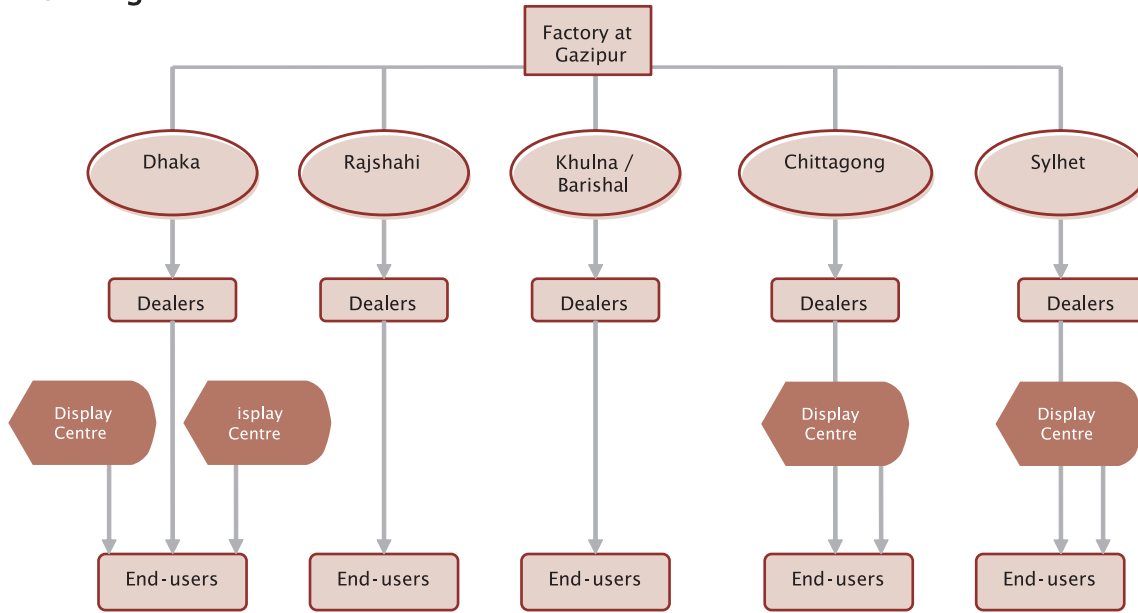
Name of the company	Relation	Nature of business of the company
RAK Ceramics PSC, UAE	Holding Company	Produce Tiles and Sanitary Wares
RAK Pharmaceuticals Private Limited	Subsidiary	Manufacture and Supply of Pharmaceuticals Products
RAK Power Private Limited	Subsidiary	Power Generation and Supply
RAK Security & Services Private Limited	Associate	Provide Security Services

The company owns two subsidiaries and one associate Company as backward integration. RAK Power Private Ltd, a power producer for internal consumption having standard capacity of 10 Mwh, presently operating for 6 Mwh, consumed by ceramics plant, entirely. Constant and uninterrupted power supply to ceramics plant will improve the operational efficiency of ceramics plant in moving forward. RAK Pharmaceutical was formed to have some diversified investment in other thrust sector of Bangladesh. The pharmaceutical plant has started its commercial operation. RAK security and services was formed for the safety and security of group companies as backward integration.

### Distribution of products/services

RAK Ceramics (Bangladesh) Limited does not sell any of its products directly to the end customers. As a result, the Company has appointed 98 dealers including tiles and sanitary ware products all over the country to sell the products of the Company to the ultimate customers. The demonstration of the distribution channel as follows:

#### Serving nationwide end users



### Competitive Condition of Business

RAK Ceramics (Bangladesh) Limited enjoys the reputation of being a market leader in the local tiles and sanitary ware market, as one of the establishments producing high quality tiles and sanitary ware products. The quality along with the competitive pricing of the products has enabled RAK Ceramics (Bangladesh) Limited to gain a substantial market share in the ceramic sector. The Company is currently enjoying more than one fourth share of the tiles market and greater than two third share of the sanitary ware market. The strengths of RAK Ceramics (Bangladesh) Limited is its professional expertise, unrelenting pursuit of excellence, and a deep and profound knowledge of the business environment that has enabled the company to tap the market share in the tiles and sanitary ware field.

RAK has always painstakingly positioned the company to respond to emerging market opportunities and have made major investments. RAK intends to leverage the leadership by pursuing strategic opportunities through the investments that have been made. It will continue to invest in innovative breakthrough technologies in the ceramic field because we know that in this era of global competitiveness and borderless economies, only productive organizations delivering quality goods and services can prevail, prosper and grow.

## Trend Setters

The strength of RAK lies in the speed with which it has innovated itself to meet market expectations. It has invested regularly to produce products that would stand out in the market. In order to strengthen their position in the industry, the company is working continuously with their technological expertise with research and development to improve the product quality in accordance with customer choice, fashion and design. RAK Ceramics also offered ample support to distributors to strengthen their position in respective markets.

Apart from the imports of tiles & sanitary wares in the country, the other players in tiles sector are Fuwang Ceramic, Modhumati Tiles, Atri Ceramics, China Bangla Ceramic, Sunpower, Mir Tiles, Dhaka Shanghai Ceramics, Hwa-Thai and Great Wall. Also in the sanitary wares sector, Dhaka Ceramics, BISF, Sanita ceramics, Fahim Sanitary and Solar Sanitary Ware are the companies which have presence in the market

RAK ability to deliver variety of products at one stop location with affordable prices will have an edge over competitors. Also, industry friendly reformist budget for 2009-10 has introduced various schemes for housing and real estate sector which will strengthen construction & contracting sector demand in coming years. Industry boost up like Targeted GDP growth rate 10% by 2017 and share of industry 40% in place of existing 28%. Provisions like investment incurred for the purchase of flat or construction of house will not be questioned. To discourage imports of ceramics finished products supplementary duty on imports increased to 45%. 2006-11 forecast shows 3.5 times strong migration drive to urban areas will create literate customer class. Literacy level forecast annual growth rate was 5.55% during 2005-2008, if the annual growth rate continues to remain at least 5.55% then the adult literacy would be 71.20% in 2015. Looking at growing literacy level & urbanization value for money & technically excellent products will have demand in future.

## Sources and availability of raw materials and principal suppliers

RAK key raw materials include (a) body materials comprising various types of clays, sands and minerals and (b) glaze materials comprising additives, bonding agents and finishes RAK Ceramics follows a global sourcing and vendor development policy under which supply sources are identified, supplier capabilities are assessed and competitive supply terms are negotiated through competitive bidding for key supplies. RAK has built up a database of over 2,500 suppliers that provide industry specific supplies.

The major raw materials of RAK Ceramics (Bangladesh) Limited are imported from overseas, mainly India, China, UAE, UK, Singapore, Thailand, few other European countries etc. Suppliers are evaluated periodically on supply reliability, quality and prices with new suppliers being added after they meet the required quality and reliability benchmarks through supplier appraisals and track record. Key suppliers includes SACMI Imola, Gruppo B&T, Cerfrit, Hindalco, FERRO Local supplies from Clay Local sand/ lime stone/ silica sand from various suppliers in Shepur, Sylhet

### Sources of and requirement for power, gas and water or any other utilities

**Power:** Sources of electricity supply are the Rural Electrification Board (REB) as well as captive power plant named RAK Power Pvt. Limited, a subsidiary of RAK Ceramics (Bangladesh) Limited.

**Water:** Water supply is ensured from own deep tube well.

**Gas:** The manufacturing operation depends on Gas from Titas Gas Transmission & Distribution Company Ltd. RAK manufacturing set up has flexibility of dual fuel firing capabilities in case of emergency or non committal supply lapses.

### Customer providing 10% or more revenues

There are few customers of the company who purchase 10% or more of the company's products. The names of the customers are as follows:

Name of the Customers	Contribution (%)	
	Jan 1 - June 30, 2009	Jan 1 - Dec 31, 2008
M/s Mohammad Trading	36	33
M/s Saikat Trading	11	10

### Description of contract with Principal Suppliers/Customers

RAK Ceramics (Bangladesh) Limited does not have any material contract with its principal suppliers except technical know how agreement with its parent company RAK Ceramics, PSC, UAE

### Description of any material patents, trademarks, licenses or royalty agreements

#### Patent and Trade Mark

RAK Ceramics (Bangladesh) Limited has applied for the registration of the accompanying trademark of the Companies class, in respect of goods, name and trading style with the Department of Patents, Designs and Trademarks of Bangladesh.

The logos and brands of RAK Ceramics (Bangladesh) Limited are applied for registration under Trade Marks Act 1940 to respective authority. In addition to trademarks, Design & Copyright applications are also submitted for specific design of tiles and sanitary wares.

#### Licenses

The company has been certified as an ISO 9001:2008 company with the scope of certification which ensures that management system of the organization has been audited and found to be



## Trend Setters

in accordance with the management system standards in the areas such as management and administration, purchase, sales and marketing, human resource management, design, development, production and supply of ceramic and porcelain floor and wall tiles, vitreous china sanitary wares including abs resin toilet seats and covers.

The tiles and sanitary wares of the company are licensed under Bangladesh Standards & Testing Institution (BSTI) and the company is using standard BSTI seal in its products. The existing license is valid up to July 30, 2011 and can be renewable under prevailing laws.

Environment clearance certificate in respect of the factory situated at Dhanua, Sreepur, Gazipur has been obtained from Department of Environment, Government of The People's Republic of Bangladesh valid till year 2010.

The other licenses are also obtained from the respective authorities, namely Fire License from Department of Fire, Labor License from Ministry of Labor and also has the membership of Foreign Investors Chambers of Commerce & Industries (FICCI)

### Royalty

RAK Ceramics (Bangladesh) Limited has an agreement for royalty with RAK Ceramics PSC, UAE. Royalty has been calculated @ 6% of net sales in pursuance of Technical know-how and technical assistance agreement dated May 9, 1999. The provisions are being made at the applicable laws then existing for establishment of ceramic tiles plant through joint venture project in Bangladesh. The scope of work under the agreement include technical assistance for installation of machinery, ongoing continuous support to up skill manufacturing process and engineering to adhere with international efficiency & productivity standards, specification of the project, completing the training of local personnel, use of logo and brand name for marketing of produced items. Payment of royalty is made after deducting the tax as per the statutory requirements.

### Number of employees

As on June 30, 2009 total number of the employee was 1,223. The divisions of employees are as follows:

Work Divisions	Number of Employees	
	Part Time	Full Time
Administration & Sales	-	114
Tiles	260	439
Sanitary Wares	65	345
<b>Total</b>	<b>325</b>	<b>898</b>

### Production/Service rendering capacity and current utilization

Following table illustrates the production capacity of Tiles and sanitary wares division as per audited accounts on 30 June, 2009.

Production	Unit	Installed Capacity		Utilization during the period	% of utilization	Over/ (Under) Utilization
		Annual	For the period			
Tiles	Sft	86,402,800	43,201,400	38,783,716	90%	(4,417,684)
Sanitary Wares	Pcs	900,000	450,000	440,382	98%	(9,618)

## Section - VI

### Description of Property

#### Location of principal plants and other property of the company and their condition

1. RAK Ceramics (Bangladesh) Limited has its own factory land at Dhanua, Sreepur, Gazipur measuring 32.68 acre (around 1.42 million square feet/98.86 bigha) and total land area is in the name of RAK Ceramics (Bangladesh) Limited\*. The plant is located at 55 km north of Dhaka at Gazipur with a complex extending over an area of 132,235 sqm. In the factory area, there are three 'state of the art' factories, raw material warehouses, power station, administrative office building, research and development laboratories, silkscreen and photo printing facilities. The plant is equipped with some of the longest kiln in the world. RAK Ceramics (Bangladesh) Limited has purchased 7th, 8th and 9th floor with a total floor space of 24,227.76 square feet of RAK Tower located at Plot # 1/A, Jasimuddin Avenue, Sector # 3, Uttara Model Town, Dhaka 1230.
2. Company owns the following operating fixed assets and they are situated at Company's office and factory premise; and written down value of the assets are given below:

*(Written Down Value in Taka as per Audited Accounts)*

Particulars	As at June 30, 2009	As at Dec 31, 2008	As at Dec 31, 2007
Land*	160,541,812	117,606,812	112,239,562
Factory Building	245,295,122	249,972,544	233,838,716
Factory Office Building	23,107,360	24,313,019	27,014,466
Head Office Building	81,332,799	70,308,242	77,956,670
Plant and Machinery **	1,442,137,221	1,312,068,643	1,534,715,324
Mobile Plant	31,080,989	33,578,692	22,647,082
Electrical Installation	103,381,793	108,775,885	93,486,220
Gas Pipeline	10,055,117	10,861,979	12,201,300
Furniture and Fixtures	15,136,119	15,438,731	16,503,988
Office Equipment	9,312,668	9,489,602	9,714,896
Communication Equipment	960,177	1,010,276	1,122,528
Tools and Appliances	4,785,965	3,404,760	1,262,281
Vehicles	17,821,449	16,887,041	16,890,034
<b>Total</b>	<b>2,144,948,591</b>	<b>1,973,536,226</b>	<b>2,159,593,067</b>

3. All the assets of the company are owned by the company and there is no mortgage or other type of lien on the property except plant and machineries with HSBC and Standard Chartered Bank.
4. The date of expiration and name of lessors are given in the “Operating lease during last five years” part of this prospectus.

\* RAK Ceramics (Bangladesh) Ltd owns factory land measuring 32.68 acre. The detail mutation status of the land is as follows:

Mutation Completed			Mutation Under Process		
Sl	Deed No. of Land	Area (Acre)	Sl	Deed No. of Land	Area (Acre)
1	4754	0.15	1	7470/3086	1.22
2	4755	0.95	2	7471/3087	2.44
3	4756	0.51	3	8243	2.60
4	4757	4.52	4	8244	1.05
5	6936	0.59	5	7031	1.73
6	6937	2.89	6	7032	0.17
7	6938	0.35	7	7841	0.44
8	6939	1.62	8	7842	0.45
9	7062	0.41	9	6251	0.51
10	10358	0.70	10	1836	0.35
11	10522	0.38	11	1494	0.26
12	10523	0.42	12	7586	0.80
13	11073	0.01	13	8587	0.30
14	407	0.06	14	11763	0.26
15	408	0.18	15	11348	0.15
16	406	0.14	16	11350	0.18
17	1993	0.19	17	2065	0.60
18	1994	0.12	18	538, 539, 540	2.10
19	2419	0.01	19	2312	0.38
20	3545	0.02			
21	3546	0.05			
22	3751/1455/6425	2.45			
	<b>Total Area of Land</b>	<b>16.71</b>		<b>Total Area of Land</b>	<b>15.97</b>

## Trend Setters

\*\* RAK Ceramics (Bangladesh) Ltd. has no second hand / reconditioned machineries. The company owns brand new Plant & Machineries at its Tiles and Sanitary Ware plants as per the following schedule:

SL	Name of Machinery	Country of Origin	Acquisition Value			WDV
			Invoice Cost	Other Cost	Total Cost	30 June 2009
<b>Tiles Plant:</b>						
1	Ball mill, press, box feeder & dryer	Italy	773,261,626	224,869,415	998,131,042	520,587,440
2	Generator	USA	95,365,605	13,851,639	109,217,244	50,510,772
3	Kiln	Italy	71,839,397	21,736,318	93,575,716	67,431,913
4	Glaze line	Italy	80,588,186	39,961,976	120,550,162	61,668,598
5	Air compressor	Belgium	9,638,113	4,376,812	14,014,925	8,770,850
6	B & t car	Italy	43,518,400	14,017,416	57,535,816	36,275,635
7	Polishing machine	Italy	74,982,660	10,832,541	85,815,201	37,811,746
8	Sorting & packing machine	Italy	9,798,262	74,563,618	84,361,880	73,698,684
9	Squireing & cutting machine	Italy	14,837,459	4,818,386	19,655,845	9,213,553
10	Sub-station, panel board & switch	UAE	5,564,998	2,850,519	8,415,518	2,609,106
11	Printing machine & equipment	Italy	19,949,845	11,168,717	31,118,562	14,056,539
12	Effluent treatment plant	UAE	41,475,172	5,373,548	46,848,720	44,561,827
13	Weighbridge	Japan	3,200,000	-	3,200,000	1,314,243
14	Dust collector	Itali	28,514,605	11,232,522	39,747,126	19,752,747
15	Exhaust systems	India	309,568	62,174	371,742	313,771
16	Laboratory instruments	Japan	16,297,334	4,165,423	20,462,756	5,253,312
17	Water treatment plant & pump	Italy	12,178,158	1,154,045	13,332,203	4,950,196
<b>Sub Total:</b>			<b>1,301,319,388</b>	<b>445,035,071</b>	<b>1,746,354,459</b>	<b>958,780,933</b>
<b>Sanitary Ware Plant:</b>						
1	Ball mill, kiln & box feeder	Italy	294,742,251	157,140,360	451,882,611	270,609,559
2	Resin mould & bcl line	Italy	205,132,737	108,780,519	313,913,256	187,529,266
3	Blower for spraying & inspection	Italy	351,175	504,860	856,035	713,824
4	Seat & cover m/c	Taiwan	10,946,975	882,230	11,829,204	6,116,297
5	Generator	USA	15,192,040	2,626,606	17,818,647	7,607,699
6	Air compressor	Belgium	4,927,816	5,406,314	10,334,130	7,277,660
7	Water booster pump	Italy	1,102,577	438,836	1,541,412	987,384
8	Exhust system	India	203,275	821,820	1,025,095	671,748
9	Sub station	UAE	3,563,752	903,948	4,467,700	1,842,851
<b>Sub Total:</b>			<b>36,162,598</b>	<b>277,505,491</b>	<b>13,668,089</b>	<b>483,356,289</b>
<b>Grand Total:</b>			<b>1,837,481,986</b>	<b>722,540,562</b>	<b>2,560,022,548</b>	<b>1,442,137,221</b>

## Section - VII

# Plan of operation & Discussion of financial conditions

### Internal and external sources of cash

The internal sources of the cash of the company are the share capital and the share money deposit and the external sources of cash are the bank loans.

Particulars	As on June 30, 2009 (Tk.)	As on Dec 31, 2008 (Tk.)	As on Dec 31, 2007 (Tk.)	As on Dec 31, 2006 (Tk.)
Internal Sources of Cash				
Share Capital	1,296,800,000	648,400,000	648,400,000	648,400,000
Share Money Deposit *	558,835,000	508,122,547	502,546,929	5,170,347
Retained Earnings	486,625,056	995,310,065	654,668,293	676,293,648
<b>Total</b>	<b>2,342,260,056</b>	<b>2,151,832,612</b>	<b>1,805,615,222</b>	<b>1,329,863,995</b>
External Sources of Cash				
Bank Overdrafts/Term Loan	1,220,453,209	1,348,250,195	1,241,808,687	665,838,205
<b>Grand total</b>	<b>3,562,713,265</b>	<b>3,500,082,807</b>	<b>3,047,423,909</b>	<b>1,995,702,200</b>

\* The Company has been permitted to issue further 5,588,350 ordinary shares of Taka 100 each by the Securities and Exchange Commission vide its letter no. SEC/CI/CPLC-183/09/195 dated 27 July 2009. On 28 July, 2009 the share money deposit of Tk 558,835,000 was converted into paid up capital. Hence, the paid up capital of the Company comes to Taka 1,855,635,000.

### Material commitment for capital expenditure

As on date RAK Ceramics (Bangladesh) Ltd does not have any material commitments for capital expenditures.

### Causes for material changes

Particulars	For the Half year ended on 30-Jun-09 Tk.	For the year ended 31-Dec-08 Tk.	For the year ended 31-Dec-07 Tk.	For the year ended 31-Dec-06 Tk.
Turnover	1,910,348,882	3,247,985,878	2,335,391,844	1,955,084,231
Cost of sales	1,371,177,730	2,315,174,472	1,530,281,434	1,373,986,480
<b>Gross profit</b>	<b>539,171,152</b>	<b>932,811,406</b>	<b>805,110,410</b>	<b>581,097,751</b>
Administration expenses	33,951,820	73,707,617	59,105,227	33,433,886
Marketing &	201,079,915	341,821,145	233,010,201	188,129,683
<b>Net profit before financial expense</b>	<b>304,139,417</b>	<b>517,282,644</b>	<b>512,994,982</b>	<b>359,534,182</b>
Financial expense	76,943,200	141,170,017	85,258,635	81,449,145
Other income	732,694	1,907,872	6,782,770	541,758
<b>Net profit before taxation</b>	<b>227,928,911</b>	<b>378,020,499</b>	<b>434,519,117</b>	<b>278,626,795</b>
Tax expenses:	85,473,341	91,619,346	131,944,473	100,656,277
<b>Net profit after taxation</b>	<b>142,455,570</b>	<b>286,401,153</b>	<b>302,574,644</b>	<b>177,970,518</b>

The company grown up its revenue and net profitability at compounded annual growth rate of 33.26% and 26.83% respectively. The company becomes market leader in ceramic tiles and sanitary ware products in Bangladesh. The key reason for such jump in market share is basically aggressive approach in marketing to the satisfaction of customer having availability of product in the market.

The company's revenue increased 39% in the year 2008 and 19.5% in the year 2007 compared to the previous years respectively. But the net profit after tax of the company slide by 5% in 2008 compared to the previous year. The reason for such decline is the increased cost of sales which has increased by over 5% to sales as compared to the previous year cost of sales to turnover. The increased costs of the goods are attributed to foreign currency volatility in 2008 (USD & GBP) and related impact on imported raw materials. Besides the increased costs of goods sold; the administrative and marketing expenses are in tandem with turnover increase as 39.08% to turnover and the interest expense of the company increased due to lending rates volatility in international & local money market which has contributed to slide in net profit of the company.

## Seasonal aspect of the Company's business

There is boom in real estate sector, hence no seasonal impact on the products of the company directly. However, as during the monsoon season, the construction work slows down, as a result, it consequently affects the sales of the company during that period but gets compensated in post- monsoon boom.

## Known trends, events or uncertainties

### Company factors

#### Increase of Market Shares:

- The Company is currently enjoying more than one fourth share of the tiles market and greater than two third share of the sanitary ware market.
- The increase in market share is due to the technology driven approach, professional expertise, unrelenting pursuit of excellence
- The Company has deep and profound knowledge of the global business environment that has enabled the company to tap the market share in the tiles and sanitary ware field.
- Company's proactive quality assurance standards are ahead of generally followed product technical standards ISO 13006 relating to water absorption, rectangularity, straightness, breaking strength etc. This always gives age over for long lasting relationship & confidence of customers.

#### Introduction of new product:

- The company has over 1000 models active in the ceramic and gres porcelain tile business and regularly adds several new designs to the product portfolio. In normal course of business every month company adds at least 10-25 new models.
- The company maintains potential to manufacture tiles in a varied range of sizes from 13 cm X 13 cm up to 60cm X 60cm, thickness along with accessories like listellos, pencils, capings, skirtings, in the ceramic sector of Bangladesh.
- The company has an exclusive range wide choice of over 40 models of sanitary ware. RAK's products are known in the market for best quality performance due to fire clay inputs.

The In house design department of the company helps to understand the customer taste in order to produce the design of their choice through architect & developers awareness drive, active exhibition participation.



## Trend Setters

### **Technology orientation:**

Rak Ceramics (Bangladesh) Limited is the technology oriented company. The production facilities of the company are based on currently available technology. It uses latest technology for its Tiles & sanitary ware production. Its research and development (R&D) and Quality control (QC) department are equipped with the best technologies in the country. Due to technology advantage the company will assist the future business growth of the company.

### **Market Responsiveness:**

RAK has strong presence in the country and dealers of the company are in direct contact with the end users and respond promptly to the market. The strength of RAK Ceramics lies in the speed with which it has innovated itself to meet market expectations. As a result of providing supporting and helping hand to the end user which in turn help the RAK Ceramics (Bangladesh) Ltd to widen its market share further.

### **Industry factors**

As stated earlier, the housing and realty demand will remain in Bangladesh; there will be significant growth for market demand of tiles and sanitary ware products.

### **Global recession**

Bangladesh is in the path to develop infrastructure and improve the quality of life, there would not be much effects for global recessions.

### **Shortage of power or gas**

RAK has an arrangement with one of the sister concern RAK Power Pvt Ltd. To provide constant and uninterrupted power supply. RAK Power is captive power plant and produces power for the exclusive use of ceramic plant.

### **Downturn in the real estate sector**

The government has introduced the different incentives for housing, realty sector resulting there will not be any downturn in real sector resulting create a huge demand for ceramic tiles and sanitary ware.

### **Others**

- Natural disaster and social/political unrest are generally known events that may affect the Company's business.
- There is stable democratic government, the company look forward to have industry familiar environment in Bangladesh in coming days.

### Change in the assets of the Company used to pay off any liabilities

No assets of the company have been used to pay off any liabilities of the company.

### Loan taken from or given to holding/parent company or subsidiary company

No loan has been taken from or given to holding/parent/subsidiary company.

### Future contractual liabilities

RAK Ceramics (Bangladesh) Limited, neither have any future contractual liabilities nor have any plan to enter into any contractual liabilities other than normal course of business that would impact the financial fundamentals of the company.

### Estimated future capital expenditure

At the moment RAK Ceramics (Bangladesh) Limited has no desired immediate expansion plan on the cards for 2009. As we have own industrial infrastructural set up expertise to establish plant within short time of 6-8 months, so we have ability to take an expansion call depends on market demand at short notice.

### VAT, income tax, customs duty or other tax liability

#### a) VAT

The company does not have any outstanding VAT as on June 30, 2009 except the following disputed cases pending before Honorable High Court:

Writ No.	Liability (Tk.)	Remarks
2390/2005	3,726,738.56	Favorable judgment given by Honorable High Court but Government appealed against that judgment.
4950/2003	44,550,719.97	Stay order given by Honorable High Court till disposal of the rule
5411/2009	8,867,653.00	Stay order given by Honorable High Court for three months w.e.f. 18 August, 2009

## Trend Setters

### b) Income Tax

Provision for corporate income tax is made @ 37.5% on estimated taxable profit both for tiles and sanitary ware divisions in accordance with income tax laws. The corporate income tax assessment of the Company is completed up to the assessment year 2007-08 and no income tax is outstanding as on June 30, 2009 except a disputed amount of tax Tk. 23,957,586/- only for the assessment year 2005-2006 for which an appeal is pending before the Taxes Appellate Tribunal, Dhaka. The corporate income tax return for the assessment year 2008-2009 was filed under section 82 BB (1) of the Income Tax Ordinance 1984. The income tax assessment status of the company for the last 6 (Six) years is given below:

Year	Assessment Year	Provision for Income Tax (Tk.)	Tax Liabilities as per Assessment Order (Tk.)	Tax Payment Position			Balance of (Liabilities)/ Excess Payment	Assessment Status
				Direct Payment	Deduction at Source	Total (Tk)		
2003	2004-2005	45,563	45,563	-	1,746,309	1,746,309	1,700,747	Assessment completed
2004	2005-2006	20,925	20,925	-	1,607,895	1,607,895	1,586,970	Assessment not completed and Tribunal hearing completed on 10-06-09
2005	2006-2007	5,242,907	5,242,907	-	3,197,658	3,197,658	(2,045,249)	Assessment completed (Return submitted u/s 82B(2) & accepted )
2006	2007-2008	89,730,898	89,730,898	80,000,000	15,937,931	95,937,931	6,207,033	Assessment completed (Return submitted u/s 82BB(1) & accepted )

Year	Assessment Year	Provision for Income Tax (Tk.)	Tax Liabilities as per Assessment Order (Tk.)	Tax Payment Position			Balance of (Liabilities)/ Excess Payment	Assessment Status
				Direct Payment	Deduction at Source	Total (Tk)		
2007	2008-2009	80,163,573	80,163,573	90,000,000	34,813,161	124,813,161	44,649,588	Assessment completed (Return submitted u/s 82BB(1) & accepted )
2008	2009-2010	85,378,847	85,378,847	10,000,000	46,588,055	56,588,055	(28,790,792)	Assessment is under process u/s 82BB of ITO

**c) Custom Duty and other Liabilities**

The company does not have any outstanding custom duty or similar liabilities as on June 30, 2009. Except the following pending disputed liabilities with the Customs Authorities for differential assessable value of imported materials:

File no.	Case no.	Current Position	LC/LCA no.	Material/ supplier	Liabilities (Tk.)	Remarks	Status
RAK/CUS/01/03-04	CEVT/CASE/ (CUS)368/2004/2055 DT. 30.09.04	Notice given to CTG customs by Tribunal to send the original file for hearing	2.48603E+11 Dt. 15.12.02	China clay/ Goonvean	32,25,123	Tribunal Undertaking	
RAK/CUS/02/03-04	CEVT/CASE/CUS-323/2004/2071(1-3) DT. 3.10.04	Notice given to CTG customs by Tribunal to send the original file for hearing	2.48603E+11 Dt. 15.12.02	China clay/ Goonvean	14,40,311	Tribunal Undertaking	

## Trend Setters

File no.	Case no.	Current Position	LC/LCA no.	Material/ supplier	Liabilities (Tk.)	Remarks	Status
RAK/CUS/03-03/04	CEVT/CASE (CUS)340/2003  DT. 08.02.05	Notice given to CTG customs by Tribunal to send the original file for hearing	002832 Dt. 18.10.03	Frit/  Cerfrit	5,61,903	Tribunal Undertaking	
RAK/CUS/04/03-04	CEVT/CASE/CUS- 366/2004/2072 (1-3) DT. 3.10.04	Notice given to CTG customs by Tribunal to send the original file for hearing	002832 Dt. 18.10.03	Frit/ Cerfrit	5,61,903	Tribunal Undertaking	
RAK/CUS/05/03-04	CEVT/CASE/CUS- 340/2003 DT. 08.02.05	Order Given In Our Favour But Chittagong Customs Submitted An Appeal Petition	002795 Dt. 04.11.02	Potash Feld. Chips/  Emirates Trading	18,20,681	Tribunal B/G	Applied for final asses. w/ certified copy- 17/4/08
RAK/CUS/06/03-04	CEVT/CASE/CUS- 137/2004 DT.13.02.08	Applied For Appeal Restoration	DPCDAK 031897 Dt. 15.06.03	Kaolin clay/ Denian Anzin	196,311	Tribunal Undertaking	File a case before Honorable High Court
RAK/CUS/07/03-04	5TH (9)487-CUS (PSI)/APPEAL/ CTG/2003/3618(6)	Order Given. Awaiting For Final Assessment BY CTG Customs Dt. 10/07/03	004409	Soda Feld. Chip/ Emirates trading	18,20,681	CTG customs Undertaking	Applied for final asses. w/ certified copy- 26/4/08
RAK/CUS/08/03-04	5TH (9) 527-CUS (PSI)/APPEAL/ CTG/2004/3350(6) DT. 07.12.04	Notice given to CTG customs by Tribunal to send the original file for hearing	2.48604E+ 11 Dt. 22.06.04	Diamond Phosper China Clay/ Goonvean	16,06,424	Tribunal Undertaking	Applied for final asses. w/ certified copy- 26/4/08

### Operating Lease agreement during last five years

Purpose	Asset Location	Floor Location & Area	Period of Lease	Monthly Rent (Tk.)	Effective date of Lease	Expiration of Lease
Showroom/ Display & Information Centre	318, Free School Street, Sonargaon Road, Dhanmondi, Dhaka	2nd Floor, 1,993 sq. ft.	7 years	46,154	January 1, 2008	December 31, 2014
	House No. 13, Ambagan, South Khulshi, Chittagong	5th Floor, 1,550 sq. ft.	1 years	9,500	May 1, 2009	April 30, 2010
	House No. 96, Road No. 3, Block F, Shahjalal Uposhahar, Sylhet	2nd Floor, 1,100 sq. ft.	1 years	6,000	May 1, 2009	April 30, 2010
	House No. 20, Road No. 9, sector No. 1, Uttara, Dhaka	5th Floor, 2,000 sq. ft.	2 years	22,900	February 1, 2009	January 31, 2011

### Financial lease commitment during last five years

The company has not entered into any financial lease commitment in the last five years.

### Personnel related scheme

The company is currently staffed with 898 full time employees. It strongly believes that employees are the strength of the Company. The Company places high priority in developing human resources. Importance is given to relevant on-the-job, in-house and external training programmes, so that the people are well equipped with necessary skills. In line with these beliefs, the Company has a well-designed compensation package for the employees to encourage professionalism, stimulate teamwork and promote innovation reinforced with high ethical standards.

The company's remuneration benefits include salary and allowances, festival bonus and performance bonus. The company also has the following retirement/ terminal benefits for the employees:

- A. Provident Fund: All permanent employees of RAK Ceramics (Bangladesh) Limited having minimum five (5) years of continuous service are entitled to a 10% recognized contributory Provident fund.
- B. Gratuity: All permanent employees of the company having minimum three (3) years of continuous service are entitled to recognized gratuity.
- C. Death Benefit: All permanent employees of the company are entitled to Group Insurance benefit.

### Breakdown of Estimated expenses for IPO

The following amounts to be paid to the Issue Managers, Underwriters & other costs are estimated as follows:

Sl. No.	Description	Basis of Fees	Amount in Tk. (approx.)
<b>Issue Management Fees:</b>			
1	Manager to the Issue Fee	1% of the total amount raised	10,000,000
2	VAT against Issue Management Fees		1,500,000
<b>Listing Related Expenses:</b>			
3	Prospectus Submission Fee to DSE		5,000
4	DSE & CSE Listing- Initial Fees	@ 0.25% on Tk. 100 million and 0.15% on the rest amount of paid up capital; maximum Tk. 2 million for each exchanges	4,000,000
5	DSE and CSE Annual Fee		150,000
<b>SEC Fees:</b>			
6	Application Fee		10,000
7	SEC Consent Fee	fee @ 0.15% on entire offer	1,800,000
<b>IPO Commission:</b>			
8	Underwriting Commission	Commission @ 0.5% on Underwritten Amount	3,000,000
9	Bankers to the issue fee	Commission @ 0.1% of Collected	3,000,000
10	Credit Rating Fees		750,000
11	Legal Fees		500,000
12	Auditor Certification Fees		500,000
<b>CDBL Fees and Expenses:</b>		At actual	
13	Security Deposit		500,000
14	Annual Fee		100,000
15	Documentation Fee		2,500
16	Connection Fee		6,000
17	IPO Fees	@.025% of issue size	300,000

Sl. No.	Description	Basis of Fees	Amount in Tk. (approx.)
<b>Printing and Post Public Offer Expenses:</b>		<b>Estimated</b>	
18	Publication of Prospectus		600,000
19	Abridge Version in 4 daily news paper		200,000
20	Printing of Forms		350,000
21	Registrar to the Issue Fee		700,000
22	Post Issue Management Fee		4,300,000
23	Lottery Conduction		750,000
24	BUET for Lottery conduction		250,000
25	Binding of All applications		50,000
26	Satcom Software for share management		100,000
27	Courier		250,000
28	Physical Distribution of Allotment and Refund		200,000
29	Publication of Notice		100,000
30	Stationeries & Others		50,000
<b>Grand Total</b>			<b>34,023,500</b>

### Revaluation of company's assets and summary thereof

The company has not made revaluation of any of its assets since inception.



**Transaction between subsidiary/associate/holding company and issuer**

**(A) Transaction with RAK Ceramics PSC, UAE (Holding Company)**

Nature of Transaction	2004	2005	2006	2007	2008	2009
<b>Paid:</b>						
Import	11,325,187	9,239,115	7,642,968	94,112,026	36,425,911	40,884,582
Dividend	-	-	-	291,780,000	-	-
Royalty	-	-	-	-	522,961,767	-
Tech. Asst. Charges	-	-	-	5,873,660	-	-
<b>Total Paid</b>	<b>1,325,187</b>	<b>9,239,115</b>	<b>7,642,968</b>	<b>421,765,686</b>	<b>559,387,678</b>	<b>40,884,582</b>
<b>Received:</b>						
Export proceeds	45,023,410	29,051,821	-	29,991,497	89,648,463	-
Capital contributed	-	-	-	497,376,582	5,575,618	-
<b>Total received</b>	<b>45,023,410</b>	<b>29,051,821</b>	<b>-</b>	<b>527,368,079</b>	<b>95,224,081</b>	<b>-</b>
<b>Total Balance</b>	<b>33,698,223</b>	<b>19,812,706</b>	<b>(7,642,968)</b>	<b>105,602,393</b>	<b>(464,163,597)</b>	<b>(40,884,582)</b>

**(B) Transaction with RAK Pharmaceuticals Private Limited (Subsidiary Company)**

Nature of Transaction	2004	2005	2006	2007	2008	2009
<b>Paid:</b>						
Salary, Bonus & SP. Charge	-	261,285	547,897	952,727	116,307	2,381
Investment	-	-	7,705,500	86,345,212	70,000,000	82,000,000
<b>Total Paid</b>	<b>-</b>	<b>261,285</b>	<b>8,253,397</b>	<b>87,297,939</b>	<b>70,116,307</b>	<b>82,002,381</b>
<b>Received:</b>						
Advance	-	226,545	297,045	-	159,730	-
Accrued expenses	-	-	-	1,163,588	30,893	2,795
<b>Total received</b>	<b>-</b>	<b>226,545</b>	<b>297,045</b>	<b>1,163,588</b>	<b>190,623</b>	<b>2,795</b>
<b>Total Balance</b>	<b>-</b>	<b>(34,740)</b>	<b>(7,956,352)</b>	<b>(86,134,351)</b>	<b>(69,925,684)</b>	<b>(81,999,586)</b>

**(C) Transaction with RAK Power Private Limited (Subsidiary Company)**

Nature of Transaction	2004	2005	2006	2007	2008	2009
<b>Paid:</b>						
Salary	-	396,295	198,143	-	-	-
Land purchase	-	-	-	6,574,073	-	-
Investment	-	-	-	49,605,700	67,000,000	-
Advance	-	-	-	-	11,699,476	91,684,775
Electrical work	-	-	-	2,453,580	4,639,488	731,512
<b>Total Paid</b>	-	<b>396,295</b>	<b>198,143</b>	<b>58,633,353</b>	<b>83,338,964</b>	<b>92,416,287</b>
<b>Received:</b>						
Advance -	-	182,295	-	6,986,215	1,699,476	-
Electrical work	-	-	-	2,879,852	4,837,820	-
Electricity	-	-	-	-	-	85,151,220
Material Outward	-	-	-	-	-	1,220,200
<b>Total received</b>	-	<b>182,295</b>	-	<b>9,866,067</b>	<b>6,537,296</b>	<b>86,371,420</b>
<b>Total Balance</b>	-	<b>(214,000)</b>	<b>(198,143)</b>	<b>(48,767,286)</b>	<b>(76,801,668)</b>	<b>(6,044,867)</b>

**(D) Transaction with RAK Security & Services Private Limited (Associate Company)**

Nature of Transaction	2004	2005	2006	2007	2008	2009
<b>Paid:</b>						
Advance (Vehicle, Cash)	-	-	406,630	-	1,900,930	-
Investment	-	-	350,000	700,000	-	-
Material Inward	-	-	-	585,148	-	-
Service	-	-	-	17,274,699	22,775,356	13,057,125
<b>Total Paid</b>	-	-	<b>756,630</b>	<b>18,559,847</b>	<b>24,676,286</b>	<b>13,057,125</b>
<b>Received:</b>						
fuel bill	-	-	6,510	-	-	-
Advance	-	-	-	985,268	1,300,930	600,000
Services	-	-	-	18,320,178	23,735,691	12,747,040
<b>Total received</b>	-	-	<b>6,510</b>	<b>19,305,446</b>	<b>25,036,621</b>	<b>13,347,040</b>
<b>Total Balance</b>	-	-	<b>(750,120)</b>	<b>745,599</b>	<b>360,335</b>	<b>289,915</b>

### Auditors certificate regarding allotment of shares to promoters or Sponsor shareholders for consideration in cash/other than in cash

After due verification, we certify that the paid-up capital of RAK Ceramics (Bangladesh) Ltd as of 30 September 2009 was Taka 1,855,635,000 divided into 185,563,500 ordinary shares of Taka 10 each, made up as follows:

Particulars of allotment	Date of allotment	Number of shares issued		Amount of share capital (Taka)
		Consideration in Cash	Consideration other than Cash	
First (subscription to the Memorandum & Articles of Association at the time of incorporation)	26 Nov 1998	10	-	1,000
Second	30 Sep 2000	3,299,990	-	329,999,000
Third	30 Oct 2005	57,587	3,126,413	318,400,000
Fourth	15 Jun 2009	6,484,000	-	648,400,000
Fifth	28 July 2009	558,835	5,029,515	558,835,000
Total		10,400,422	8,155,928	1,855,635,000

The Company, however has subdivided the face value of its ordinary share from Taka 100 to Taka 10 by passing a special resolution in its extraordinary general meeting held on 30 July 2009 and necessary amendments in the capital clause of the Memorandum and Articles of Association were made accordingly. Hence, the paid up capital of the Company comes to Taka 1,855,635,000 divided into 185,563,500 ordinary shares of Taka 10 each.

The company applied and obtained approval from Securities and Exchange Commission (SEC) vide its letter no. SEC/CI/CPLC-183/09/279 dated October 07, 2009 for issuance of 10,000,000 ordinary shares of Taka 10 each, at an issue price of Taka 40 each, including premium Taka 30 each. The ordinary shares shall be allotted at the time of allotment of shares under IPO subject to approval from SEC and some customary provisions.

Sd/-

K. M. HASAN & CO  
Chartered Accountants

Sd/-

S. F. AHMED & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 15 October 2009

\*The Terms & Condition of vendors' agreements are presented in details in Annexure-4

### Declaration regarding suppression of material information

This is to declare that, to the best of our knowledge and belief, no information, facts or circumstances, which should be disclosed have been suppressed, which can change the terms and conditions under which the offer has been made to the public.

For Issuer,

Sd/-

Mr. S.A.K. Ekramuzzaman  
Managing Director  
RAK Ceramics (Bangladesh) Limited

## Section - VIII

### Information about Directors & Officers

#### Directors of the Company

Name	Designation	Age (years)	Experience (years)	Nominated by	Period of Nomination
Dr. Khater Massaad	Chairman	56	30	N/A	N/A
Mr. S.A.K. Ekramuzzaman	Managing Director	52	30	N/A	N/A
Mr. Hamad Abdullah Al Muttawa	Director	62	35	RAK Ceramics PSC, UAE	*
Mr. Abdallah Massaad*	Director	37	17	RAK Ceramics PSC, UAE	*
Mr. Manoj Aheeray*	Director	36	14	RAK Ceramics PSC, UAE	*

\*Nominee of RAK. Ceramics PSC, UAE

#### Information regarding directors and directorship

Name	Designation	Date of becoming Director for the first time	Date of Expiration of Current Term*
Dr. Khater Massaad	Chairman	26-Nov-1998	11th AGM in 2010
Mr. S.A.K. Ekramuzzaman	Managing Director	26-Nov-1998	**
Mr. Hamad Abdullah Al Muttawa	Director	29-Dec-2008	12th AGM in 2011
Mr Abdallah Massaad*	Director	27-July-2009	11th AGM in 2010
Mr Manoj Aheeray*	Director	27-July-2009	11th AGM in 2010

\*Nominee of RAK. Ceramics PSC, UAE

\*\* As per article 121 of Article of Association of the company the managing director shall not be subject to retirement by rotation or taken into account for determining the directors retire by rotation.

The Directors of the Company are subject to be retired by rotation according to Section 91 and Regulation 79-82 of Schedule-I of The Companies Act, 1994.

### Directors' involvement in other organization

Name	Designation in the Company	Directorship/Sponsorship/Ownership with other companies	Position
Dr. Khater Massaad	Chairman	RAK Pharmaceuticals Private Limited	Chairman
		RAK Power Private Limited	Chairman
		RAK Security and Services Private Limited	Chairman
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Private Limited	Managing Director
		RAK Power Private Limited	Managing Director
		RAK Security and Services P Private Limited	Managing Director
		M/S, Mohammed Trading	Proprietor
		Gift Village	Proprietor
		M/s Ekramuzzaman	Proprietor
		Kea Printing & Packaging Industries	Managing Partner
		Ipsheeta Trade	Managing Partner
		Mohammed Aviation Agencies	CEO
		Jefs Trade International	Managing Partner
		Palli Properties Pte. Limited	Managing Director
		Famous Overseas Limited	Chairman
		Sky Bird Travel Agents (Private) Limited	Director
		Global Business Associates (Private) Limited	Chairman
		Better Business Associates Limited	Chairman
		Swiss Bangladesh Agro Fisheries (Private) Limited	Managing Director
		Speed Way International (Private) Limited	Chairman
		Green Planet Communications Private Limited	Chairman
		Shamol Bangla Media Limited	Director
		We Communicate Pte. Limited	Managing Director
		Masram Agro Limited	Managing Director
		Swiss – Bangladesh Cattle Private Limited	Managing Director
		Rakeen Development Company (BD) Private Limited	Managing Director
		Mohammed Foods & Allieds Limited	Chairman
S.M Knitting Industries Limited	Director		
Source Link Limited	Chairman		

## Family relationship among directors and top officials

There are no family ties among the directors and top officials of the Company, except Mr. Abdallah Massaad who is nephew of Dr. Khater Massaad.

## Short bio-data of the directors

### **Dr. Khater Massaad**

*Chairman, RAK Ceramics (Bangladesh) Limited*

Dr. Khater Massaad has played an instrumental role along with H.H. Sheikh Saud Bin Saqr Al Qassimi, the Crown Prince and Deputy Ruler of Ras Al Khaimah in founding RAK Ceramics since 1991. Dr. Massaad holds a Ph.D in Geophysics from the University of Lausanne, Switzerland and an M.Sc in Mathematics, He is also at the helm of Ras Al Khaimah's recent ambitious initiatives like property developer RAKEEN, RAK Airways, Al Hamra Real Estate Development LLC, Pioneer Cement, among others.

Dr. Massaad was assigned the position of "Project Manager" for various underground water projects in the UAE and in the Sultanate of Oman. Thereafter he envisioned a major plan for a ceramic factory in the Emirate of Ras Al Khaimah, and set up and managed RAK Ceramics.

Under his stewardship, RAK Ceramics PSC was adjudged as "Company of the Year" by Arabian Business Achievement Award for 2004 and in 2005; RAK Ceramics was awarded the Mohammed Bin Rashid Al Maktoum Business Award for the Industry sector. In 2007 he received the prestigious 'fDi Personality of the Year 2007- Middle East' Award presented by fDi Magazine, part of the Financial Times group of London' This Award is in recognition to Dr. Massaad's diligent and successful efforts to attract foreign investment to Ras Al Khaimah thereby contributing greatly to the continued economic growth and development of the emirate and adding to its attraction as an investment location. Dr. Khater Massaad was appointed in August 2003 as the Advisor to The Crown Prince & Deputy Ruler of the Emirate of Ras Al Khaimah, His Highness Sheikh Saud Bin Saqr Al Qasimi. He plays a key role in the rapid development of the Emirate as CEO of the RAK Investment Authority (RAKIA) and is also the Executive Chairman of RAKEEN.- the land master-planner and developer in real estate and township development in the Emirate and also overseas.

His role in the tourism sector for the Emirate of Ras Al Khaimah as Managing Director of Al Hamra Fort Hotel and Beach Resort is worth mentioning. He is also the Managing Director of RAK Airways and the Al Hamra Real Estate Development LLC.

### **Mr. S.A.K. Ekramuzzaman**

*Managing Director, RAK Ceramics (Bangladesh) Limited*

Mr. S.A.K. Ekramuzzaman is one of the local investor in Bangladesh having equity partnership with Ras Al Khaimah companies (RAK) one of the seven emirates of the UAE. Besides managing diversified business interests at home, he has a number of joint venture projects that are currently operating in Bangladesh and few are waiting commissioning. His business interests involves with products ranging from ceramics to shopping malls and many more.

## Trend Setters

Mr. Ekramuzzaman has equity interest in RAK Ceramics, RAK Power, RAK Securities and Services, Swiss Bangladesh Agro Fisheries, MASRAM Plantation, KEA Printing and Packaging, Green Planet Communications, Better Business Associates Limited, etc.

### **Mr. Hamad Abdullah al Muttawa**

*Director, RAK Ceramics (Bangladesh) Limited*

Mr. Hamad Abdullah Al Muttawa is the Managing director of RAK Ceramics PSC, UAE. He is also the Chairman of Commercial Bank International (CBI), RAK Poultry farm, RAK Dairy farm and Board Member of RAK Cooperative Society.

Mr Muttawa graduated in Geography from Alexandria University in Egypt with a high distinction in 1974. He served as a Deputy Minister in the Ministry of Agriculture and Fisheries until 1998. He has served more than 50 years in boys Scouts in UAE. He is also associated with the institution for poor and needy people and old age home in UAE.

### **Mr. Abdallah Massaad**

*Director, RAK Ceramics (Bangladesh) Limited*

Mr. Abdallah Massaad is the Assistant Chief Executive Officer of RAK Ceramics PSC, UAE. He also represents as Director in RAK Ceramics PSC local Joint Ventures.

Mr Abdallah is qualified MBA (Business Administration) from Kaslik University, Lebanon. He has over 17 years of experience in Business Management & Control, International Marketing and Sales in the GCC, particularly focusing on ceramics and construction material, real estate, trading ventures. He joined RAK Ceramics in 2006 and is currently responsible for RAK Ceramics Group strategic planning & overview control, policy enhancements, operational & business development. Prior to joining RAK Ceramics, Abdallah worked for 7 years as General Manager with International Ceramics Company Sarl. (IMC), Lebanon.

### **Mr. Manoj Aheeray**

*Director, RAK Ceramics (Bangladesh) Limited*

Mr. Manoj Aheeray is the Vice President-Finance of RAK Ceramics PSC, UAE. Mr. Manoj has over 14 years of experience in the fields of Corporate & project Finance, Assurance, M & A activities, IPO, Strategic financial & Taxation systems. He is also holding Directorship responsibilities in RAK Ceramics joint venture companies.

Mr. Manoj is senior member of the RAK Ceramics team which has implemented largest global expansion of tiles manufacturing. He has been involved in structuring & negotiating financing facilities for industrial & economic projects in RAK Ceramics Group. His prior experience includes Raymonds, IDBI, ACC, ThyssenKrupp; all industry leading players in India. Manoj has Bachelors qualification in UK Restructured syllabi commerce (Banking & Finance) & is Associate Member of the Institute of Chartered Accountant of India (CA), Institute of Cost & Works Accountants of India (CWA), Institute of Cost & Management Accountants of Australia (CMA), Institute of Management Accountant, United States (IMA), Institute of Company Secretaries of India (CS-Intermediate) and Certified SAP professional (SAP-FICO).

### Credit information Bureau (CIB) report

Neither the Company nor any of its directors or shareholders who hold 5% or more shares in the paid-up capital of the issuer is loan defaulter in terms of the CIB Report of the Bangladesh Bank.

### Description of top executives and departmental heads

Name	Designation	Age (years)	Date of Joining	Educational Qualification	Last Five Years Experience
Mohd. Amir Hossain	Chief Operating Officer	40	August, 1990	Bachelor of Commerce	Working with RAK
Sangam Lal	Finance Controller	32	November 13, 2007	Qualified Chartered Accountant from ICAI, New Delhi, India	Last 2 years with RAK C (Bangladesh) & was previously based in India
Mahbubur Rahman	Deputy General Manager (HR & Admin)	39	January, 1998	LLB. (Hons) LL.M, Study on HRM	Working with RAK
Imtiaz Hussain	Deputy General Manager (Sales)	36	June, 1999	MBA in Marketing from American University in London	Working with RAK
Mohammad Jahirull Reza	Deputy General Manager (Purchase)	35	December, 1998	Bachelor of Commerce	Working with RAK
Govindaraju Srinivasan	Production Manager (SW)	42	January, 2007	Engineering in Mechanical & Production (India)	Last 2 years with RAK C (Bangladesh) & previously with RAK C (UAE)
Henry Fernandez	Assistant Technical Manager (Tiles)	36	February, 2009	Diploma Engineering in Ceramic Technology, India	Previously with RAK Ceramics (UAE)
Mohammed Shamsuddin	Deputy Accounts Manager	42	January, 2002	Master of Commerce in Accounting CA (CC)	Working with RAK
Muhammad Shahidul Islam	Assistant Company Secretary	31	April, 2009	Qualified Chartered Secretary from ICSMB, Dhaka	Assistant Vice President and In-Charge, Share & Capital Market Operations Department in "Fareast Islami Life Insurance Company Limited"



## Trend Setters

### Involvement of Directors and officers in certain legal proceedings

No director or officer of RAK Ceramics (Bangladesh) Limited was involved in any of the following types of legal proceedings in the last 10 (Ten) years:

- Any bankruptcy petition filed by or against any company of which any officer or director of the issuer company filing the prospectus was a director, officer or partner at the time of the bankruptcy.
- Any conviction of director, officer in a criminal proceeding or any criminal proceeding pending against him.
- Any order, judgment or decree of any court of competent jurisdiction against any director, officer permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activities.
- Any order of the Securities and Exchange Commission, or other regulatory authority or foreign financial regulatory authority, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activities.

### Certain Relationships and Related Transactions

Company	Name of the Persons Involved	Relationship with the Issuer	Nature of Transaction	Transaction Amount (Tk.)	
				2007	2008
Kea Printing & Packaging Industries	S.A.K. Ekramuzzaman	Managing Director	Supply of Packaging	65,476,117	149,762,461
	Mohd. Amir Hossain	Chief Operating Officer			
Palli Properties PTE. Limited	S.A.K. Ekramuzzaman	Managing Director	Purchase of Corporate Office Space	85,217,683	5,945,976
Mohammed Aviation Agencies	S.A.K. Ekramuzzaman	Managing Director	Purchase of Air Ticket	Nil	185,268
Sky Bird Travel Agents Pvt Limited	S.A.K. Ekramuzzaman	Managing Director	Purchase of Air Ticket	Nil	1,457,601
Green Planet Communication Private Limited	S.A.K. Ekramuzzaman	Managing Director	Advertisement	2,684,152	4,069,985
			Supply of Material	1,215,879	5,884,381
We Communicate PTE. Limited	S.A.K. Ekramuzzaman	Managing Director	Advertisement	99,000	Nil
			Supply of Material	3,983,051	Nil
Mohammed Trading	S.A.K. Ekramuzzaman	Managing Director	Sales (Dealership)	901,934,226	1,188,337,971
			Commission	59,336,204	83,006,904
Ipsheeta traders	S.A.K. Ekramuzzaman	Managing Director	Sales (Dealership)	93,810,122	118,678,670
			Commission	5,585,637	7,185,540

## Executive compensation

### a) Remuneration Paid To Top Five Salaried Officers During Last Accounting Year \*\*

Name	Designation
Mohd. Amir Hossain	Chief Operating Officer
Imtiaz Hossain	Deputy General Manager (Sales)
Mahbubur Rahman	Deputy General Manager (HR & Admin)
Mohammad Jahirull Reza	Deputy General Manager (Purchase)
Mohammad Shamsuddin	Deputy Accounts Manager

\*\*The aggregate amount paid to the above mentioned employees as remuneration was Tk 6,301,400 in the last accounting year ended December 31, 2008.

### b) Aggregate Amount of Remuneration Paid to the Directors and Officers during Last Accounting Year

Particular	Amount (Taka) paid in Jan 2008 – Dec 2008
Directors' fees (as per audited accounts)	Nil
Officers	25,849,260
<b>Total</b>	<b>25,849,260</b>

### c) Remuneration paid to Director who has not an Officer of the Company

The Company did not pay any remuneration to any director who was not an officer during the last accounting year.

### d) Future Compensation to Directors or Officers

There is no contract with any Director or officer providing for the payment of any future compensation.

### e) Pay Increase Intention

Except for normal annual increment and allowances, there is no plan for substantial pay increase to its officers and directors in the current year.

## Options granted to Directors, officers and employees

The Company did not grant any option to any Officer, Director and all other officers of the Company or to any other person involved with the Company.

## Trend Setters

### Transaction with the Directors and subscribers to the Memorandum

The transaction with Directors and subscribers to the Memorandum in normal course of business has been disclosed in the “Transaction between subsidiary/Associate/holding company and issuer” and “Certain Relationships and Related Transactions” part of the prospectus. Apart from these there was none of the following event.

#### Benefit from the Company

The Directors and Subscribers to the Memorandum of the Company have not received any benefits other than the dividends, and the Company has also not received anything from its Directors and Subscribers except for the fund against allotment of shares and advance capital during last five years.

#### Directors and Subscribers’ assets of the Company

The Directors and Subscribers to the Memorandum of the Company have not transferred any asset to the Company but deposited share money from time to time except machineries contributed by RAK Ceramics PSC, UAE and land contributed by Mr. S.A.K. Ekramuzzaman.

### Tangible assets per share

(As per audited accounts)

Particulars ASSETS	As on June 30 2009 (Tk.)
Non Current Assets	
Property, plant and equipment	2,144,948,593
Intangible assets	12,210,064
Capital work-in-progress	18,992,223
Investment in subsidiary companies	362,656,412
Investment in associate company	1,050,000
Non-current receivables	19,809,271
Total Non-Current Assets (A)	2,559,666,563
Less: Intangible assets (B)	12,210,064
Total Tangible Non-Current Assets (C=A-B)	2,547,456,499
Current Assets	
Inventories	1,392,864,496
Trade and other receivables	259,686,532
Advance corporate income tax	314,718,814
Cash and bank balances	40,360,911
Total Current Assets (D)	2,007,630,753
Total Assets (E=A+D)	4,567,297,316
Total Tangible Assets (F=C+D)	4,555,087,252

EQUITY AND LIABILITIES	As on June 30 2009 (Tk.)
Non-Current Liabilities	
Borrowings	315,000,000
Provision for employee benefits	6,839,287
Total Non-Current Liabilities (G)	321,839,287
Current Liabilities	
Trade and other payables	315,929,136
Borrowings - current portion	905,453,209
Provision for expenses	26,147,924
Provision for corporate income tax	346,167,616
Provision for royalty and technical know-how fee	309,500,088
Total Current Liabilities (H)	1,903,197,973
Total Liabilities and Provision (I=G+H)	2,225,037,260
Net Assets Value (J=E-I)	2,342,260,056
<b>SHARE HOLDERS EQUITY</b>	
Share capital	1,296,800,000
Share money deposits	558,835,000
Retained earnings	486,625,055
	2,342,260,055
Number of Shares (K)	12,968,000
Net Assets Value Per Share (L=J/K)	180.62
Restated Number of Shares (O)	185,563,500
Restated Net Assets Value Per Share (P=J/O)	12.62
Net Tangible Assets Value (M=F-I)	2,330,049,992
Net Tangible Assets Value Per Share (N=M/K)	179.68
Restated Net Tangible Assets Value Per Share (Q=M/O)	12.56

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 09 August 2009

Sd/-  
S. F. AHMED & CO  
Chartered Accountants

### Ownership of the Company's securities

Name of the Shareholders	Address	Number of Shares	% of Total Shareholding
RAK Ceramics PSC, UAE	P.O. Box 4714 Ras Al Khaimah, UAE	167,007,050	85.40
Mr. S.A.K. Ekramuzzaman	House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka Bangladesh	18,556,350	9.49
H.H. Sheikh Saud Bin Saqr Al Qassimi	P.O. Box 4714 Ras Al Khaimah, UAE	20	0.00001
Mr. Sheikh Omar Bin Saqr Al Qassimi	P.O. Box 4714 Ras Al Khaimah, UAE	20	0.00001
Mr. Sheikh Ahmed Bin Humaid Al Qassimi	P.O. Box 4714 Ras Al Khaimah, UAE	20	0.00001
Mr. Hamad Abdullah Al Muttawa	P.O. Box 4714 Ras Al Khaimah, UAE	10	0.000005
Dr. Khater Massaad	P.O. Box 4714 Ras Al Khaimah, UAE	10	0.000005
Mr. Abdallah Massaad	P.O. Box 4714 Ras Al Khaimah, UAE	10	0.000005
Mr. Manoj Aheeray	P.O. Box 4714 Ras Al Khaimah, UAE	10	0.000005
Institutions, Employees *		10,000,000	5.11
<b>Total</b>		<b>195,563,500</b>	<b>100.00</b>

\* The company also raised its paid up capital through further issuance of 10,000,000 ordinary shares of Tk 10 to the institutional Investors and its employees vide Securities & Exchange Commission's letter no. SEC/CI/CPLC-183/09/279 dated 7 October 2009. These shares are subject to one year lock in from the date of issuance of prospectus. Details of the shareholders are as follows:

Name of the Shareholders	Address	Number of Shares
Southeast Bank Ltd. MBW	Eunoos Trade Centre, Level-2, 52-53 Dilkusha c/A, Dhaka.	675,000
IFIC Bank Ltd.	BSB Building (18th Floor), 8 Rajuk Avenue Motijheel C/A, Dhaka-1000	625,000
Prime Bank Ltd.	People Insurance Bhaban (11th Floor) 36 Dilkusha C/A, Dhaka	450,000
Prime Finance & Investment Ltd.	63, Dilkusha C/A, Dhaka-1000	125,000
Prime Finance & Investment Ltd. portfolio	63, Dilkusha C/A, Dhaka-1000	407,500

Name of the Shareholders	Address	Number of Shares
Lankabangla Finance Ltd.	Safura Tower, 20 Kamal Ataturka Avenue, Banani, Dhaka	187,500
Lankabangla Finance Ltd. IP A/C	Safura Tower, 20 Kamal Ataturka Avenue, Banani, Dhaka	1,740,000
Royal Green Securities Ltd.	Room No. 715, DSE Building, 9/F Motijheel C/A, Dhaka-1000	625,000
AB Bank portfolio investors account	30-31, Dilkusha C/A, Dhaka	50,000
AB Bank Limited	30-31, Dilkusha C/A, Dhaka	250,000
BRAC EPL Stock Brokerage Ltd.	1001-03, DSE Annex Building (9th Floor), 9/E Motijheel C/A, Dhaka-1000	750,000
EPL Port Folio Clients A/C	1001-03, DSE Annex Building (9th Floor), 9/E Motijheel C/A, Dhaka-1000	62,500
IDLC Finance Limited	Bay's Galleria 1st Floor), 57 Gulshan Avenue, Gulshan-1, Dhaka	1,460,000
ICB	8 D.I.T Avenue, BSB Building, Dhaka	375,000
ICB Unit Fund	8 D.I.T Avenue, BSB Building, Dhaka	125,000
TBL selected Investors A/C	Peoples Insurance Bhaban, 36 Dilkusha C/A, Dhaka	1,062,500
TBL Own Portfolio A/C	Peoples Insurance Bhaban, 36 Dilkusha C/A, Dhaka	25,000
Investor's Portfolio A/C-ID A/C	Metropolitan Chamber, 122-124 Motijheel C/A, Dhaka	47,500
Swadesh Investment Management Limited (Investors Account)	Suite-01, Level-11, Unique Trade Centre, 8 Panthapath, Kawranbazar, Dhaka	7,500
SATCOM It Limited	9-G, Motijheel C/A (1st Floor), Dhaka	37,500
Hajj Finance Company Limited	72 Dilkusha C/A, Dhaka	25,000
Century Securities Limited	12 Jamal Khan Road, Minhaz Complex (1st Floor), Chittagong	12,500
RAK Employees	-	875,000
<b>Total</b>		<b>10,000,000</b>

## Trend Setters

### Securities owned by the officers

There are no shares owned by the officers of the Company, except Mr. S.A.K. Ekramuzzaman, Managing Director of RAK Ceramics (Bangladesh) Limited.

Name of the Shareholder	Position	Address	Number of Shares	% of Total Shareholding
Mr. S.A.K. Ekramuzzaman	Managing Director	House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka, Bangladesh	18,556,350	10.00

### Shareholder shareholding 5% or more

Name of the Shareholders	Address	Number of Shares	% of Total Shareholding
RAK Ceramics PSC, UAE	P.O. Box- 4714, Ras Al Khaimah, UAE	167,007,050	89.99
Mr. S.A.K. Ekramuzzaman	House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka, Bangladesh	18,556,350	10.00

## Section-IX

### Features of IPO

#### Book building method

Book Building is a process through which an issuer attempts to determine the price to offer its security based on demand from institutional investors. Under the process, the price of an IPO share will be determined through an automated bidding to be participated by different financial institutions and then the share will be opened for the IPO participant at the cut-off price determined during the book building process. The bidding will be handled through a uniform and integrated automated system of the stock exchanges, or any other organization as decided by the Commission, especially developed for book building method. The entire procedure of price discovery under book building method is delineated below.

- (a) Issuer shall invite the indicative price offer from the eligible institutional investors through proper disclosure, presentation, document, seminar, road show, etc.
- (b) The indicative price band will be fixed based on the past performance, expected future earnings of the issuer and the P/E ratio of other peer companies in the industry and the determination of indicative price involves the following institutional investors registered with or approved by SEC in this regard
  - Merchant Bankers except the issue manager of the proposed issue
  - Foreign institutional investors
  - Recognized pension funds and provident funds
  - Banks and NBFIs under regulatory control of Bangladesh Bank
  - Insurance Companies regulated under Insurance Act, 1938
  - Institutional venture capital and institutional investors
  - Stock Dealers
  - Any other artificial juridical person permitted by the SEC for this purpose
- (c) Issuer in association with issue manager and eligible institutional investors quote an indicative price in the prospectus with the rationale for such price and submit the prospectus to the Commission with copy to the stock exchanges.
- (d) The indicative price range shall be determined as per price indications obtained from at least 5 (five) eligible institutional investors covering at least 3 (three) different categories of such investors.
- (e) Eligible institutional investors bidding shall commence after getting consent from the Commission



## Trend Setters

for this purpose. Institutional bidding period will be 3 to 5 (Three to Five) working days which may be changed with the approval of the Commission.

- (f) Prospectus will be posted on the Websites of the Commission, stock exchanges, issue manager and issuer at least 2 (two) weeks prior to the start of the bidding to facilitate investors to know about the company and all aspect of offering.
- (g) The indicative price shall be the basis for formal price building with an upward and downward band of 20% (Twenty Percent) of indicative price within which eligible institutional investors shall bid for the allocated amount of security.
- (h) If institutional quota is not cleared at 20% (Twenty Percent) below indicative price, the issue will be considered cancelled unless the floor price is further lowered within the face value of security. Provided that, the issuer's chance to lower the price shall not be more than once.
- (i) No institutional investor shall be allowed to quote for more than 10% (Ten Percent) of the total security offered for sale, subject to maximum of 5 (Five) bids.
- (j) The volume and value of bid at different prices will be displayed on the monitor of the said system without identifying the bidder.
- (k) The institutional bidders will be allotted security on pro-rata basis at the weighted average price of the bids that would clear the total number of securities being issued to them.
- (l) Institutional bidders shall deposit their bid with 20% (Twenty Percent) of the amount of bid in advance to the designated bank account and the rest amount to settle the dues against security to be issued to them shall be deposited within 5 (Five) working days prior to the date of opening subscription for general investors.
- (m) In case of failure to deposit remaining amount that is required to be paid by institutional bidders for full settlement of the security to be issued in their favor, 50% (Fifty Percent) of bid money deposited by them shall be forfeited by the Commission. The securities earmarked for the bidder who defaulted in making payment shall be added to the general investor quota.
- (n) The time gap between closure of bidding by Eligible Institutional Investors and subscription opening for general investors is 25 working days or as may be determined by the Commission.
- (o) The securities will be offered to the general investors, NRBs and Mutual Funds at the cut-off price determined during the book building process.

## Book Building Process of RAK Ceramics (Bangladesh) Limited

Book building is a process where price of security is determined by market participants. RAK Ceramics (Bangladesh) Limited is the first IPO under this method introduced by SEC in the capital market of Bangladesh.

Bidding of company shares was conducted in web based software available at ‘www.bbsbangladesh.com’, introduced by Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) jointly. The stock exchange (s) made enough arrangement for the awareness of book building system in Bangladesh and operation of bidding software among the market participants.

As bidding process, Eligible Institutional Investors had gone through online registration process followed by particulars in hard copy for the verification of DSE. Subsequently, DSE scrutinized the application and approved/rejected registration subject to compliance of registration criteria. The online registration was open from February 25-28, 2010. Bidding was open from March 1-3, 2010 which was subscribed over 15 times, 20% advance money deposited Tk. 1,020 million, total value equivalent to Tk. 5,058 million.

The following table summarizes the outcome of the process

Face Value	Tk. 10.00
Indicative Price	Tk. 40.00
Price Band	Tk. 32 – 48
No of EII Registered	175
Total Participants in the Bid	168
Total no. of Bids	192
Highest bidding Price	Tk. 48
Lowest bidding Price	Tk. 40
Weighted Average Price (applicable for EII quota allotment)	Tk. 48
Cut off Price (applicable for General Public, NRB and Mutual Funds)	Tk. 48

## Determination of offering price

### Preamble:

The common postulation is that market, despite its regular price variations, provides better value judgment of a security over a reasonable time period. Additionally, market provides approximately a consensus value of securities in perspective of their respective risk and growth potentials. Another common postulation is that non-speculative investors may not be inclined to pay more for an asset than its underlying value. However, the perception of worth would vary among the investors, depending on present circumstances and also future expectations, as well as their objective for the particular acquisition, we have taken a general approach of valuation, primarily from institutional investor’s viewpoint in determining the acceptable price.

## Trend Setters

In view of the above, we have concluded that relative valuation would be the most suitable approach for determining RAK price. For determination of an appropriate primary valuation method for a company, it requires profound knowledge on several factors including economic climate, the stages of development of the company, the position of the company in the market, industry life cycle, nature of production, production cycle, the situation of the stock market and the prospect of the sector in which the company operates.

### Business Attributes of RAK:

After thorough analysis it has appeared to us that the Ceramic Industry (tiles and sanitary wares) is highly capital intensive and a company requires continuous investment and innovation to maintain its growth. RAK has been consistently maintaining the strategic investment requirements to support its growth and to secure market share. The following section highlights the investment and business nature of the company.

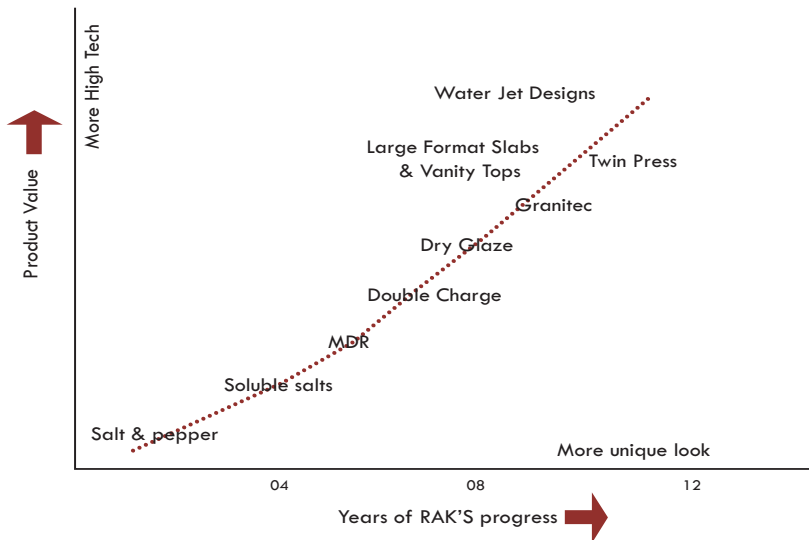
### Backbone Investment Phase

In order to establish a sustainable business, initial capital investment in ceramic industry is very imperative. The ceramic industry requires massive capital investment in plant and machinery in order to manufacture a wide variety of products to cater the end users. Optimum sizing of various machineries and their combination are important aspects of design of ceramic ware. The production stages of tiles and sanitary wares are very extensive and also expensive.

RAK started its operation with investing in range of sophisticated machineries optimally suited to manufacture high quality products and resources to manage continuous operation. This has enabled RAK to develop a strong base of designs and extensive range of formulations to successfully develop products. The investment pattern and growth during the initial phase of operation has been stated in the following table:

Year	New Facility/ Expansion	Product	Capacity	Cum. Capacity	Sales Growth (%)
2000	New	Tiles	8000 sqm/day	8000 sqm/day	
2001					
2002					44.98
2003					10.59
2004	New	Sanitary	1000 pcs/day	1000 pcs/day	
	Expansion	Tiles	7000 sqm/day	15000 sqm/day	47.28

Exhibit 13. Gres Porcellanato Technologies at RAK Ceramics Over Time



Source: RAK Ceramics, Corporate Profile, 2009

### Investment for Expansion

The level of investment corresponds to the quality, reliability and flexibility of machineries required to produce the desired level of products. Recurring investment is required for innovative product development, progression in technology, and strengthening marketing efforts. The production process needs to be flexible in order to meet the rapidly changing customer preference. RAK usually integrates latest technology in order to manufacture customized products according to the customer demand. RAK has been enjoying competitive edge over other companies due to the flexible but robust technological infrastructure. The company has increased its production capacity of tiles from 8,000 sq.m. to 22,000 sq.m. per day and 1,000 pieces to 2,500 pieces per day for sanitary wares. The company is currently enjoying a market share of 22.97% in the ceramic industry. The continuous investment has supported the company to achieve a CAGR turnover of 33.26% over the last eight years of operation. The investment pattern of the company since inception is represented in the following table:

Year	New Facility/ Expansion	Product	Capacity	Cum. Capacity	Sales Growth (%)
2000	New	Tiles	8000 sqm/day	8000 sqm/day	
2001					
2002					44.98
2003					10.59
2004	New	Sanitary	1000 pcs/day	1000 pcs/day	47.28
	Expansion	Tiles	7000 sqm/day	15000 sqm/day	

## Trend Setters

Year	New Facility/ Expansion	Product	Capacity	Cum. Capacity	Sales Growth (%)
2005					58.92
2006					19.69
2007	Expansion	Sanitary	1000 pcs/day	2000 pcs/day	19.45
	Expansion	Tiles	7000 sqm/day	22000 sqm/day	
2008					39.08
2009	Expansion	Sanitary	500 pcs/day	2500 pcs/day	

## Technological Supremacy

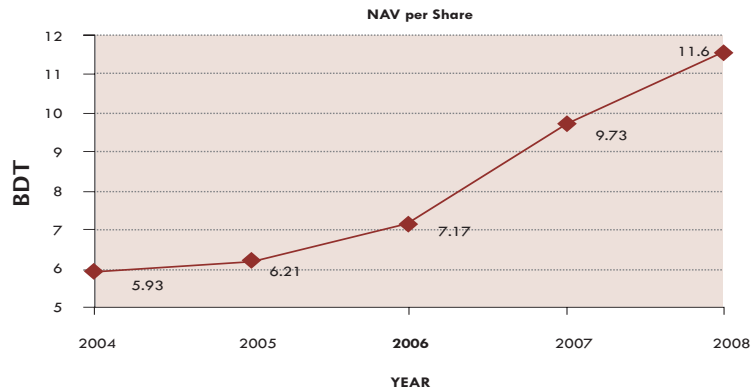
In order to maintain a sustainable business growth, RAK consistently employs differentiating technology to have a competitive advantage over its competitors. RAK Ceramics (Bangladesh) Limited is known in the market as innovative technology driven company. It has track record of investment in technology, production process and capacity expansion. RAK develops innovative products applying its in-house knowledge base and professional expertise to meet market expectation. The ceramic industry requires continuous capital investment in technology for providing diversified products mainly to address the following aspects:

- **Rapidly Expanding Demand:** Global tiles market size is growing significantly and several factors also support the growth in the country. The recent declaration of the government to provide accommodation for all by 2021 and allowing the undisclosed money to invest in the real estate sector will support the growth of RAK. The high population growth of the country and the adoption of more expensive life will increase the demand for tiles and sanitary wares. The recent imposition of 45% from 20% supplementary duty on imported tiles and sanitary wares will increase the demand for local products. In order to maintain international standard, the company will presumably require additional investment in technology to meet the demand of high-end users who previously have been depended on imported products.
- **Cost Efficiency:** Twin Press is a double pressing technology which allows RAK to enjoy cost efficiency in terms of fuel consumption through enhancing operational capabilities.
- **Other Aspects:** The company intends to invest in technology to focus on other aspects such as brand positioning, product leadership, ability to deliver wide range of customer requirements at lower service costs, international product acceptance, etc.

### Competitive Edge through Expansion of Capacity or Investment in Technology

The competitive edge of the company is its ability to produce widest range and high quality of products in the local factory. RAK supersedes other peer companies of the similar industry in three aspects: (i) technology and quality; (ii) strong resolve and astute leadership; and (iii) the intellectual property. over the time, the company has invested in some sophisticated machineries such as Twin

Press, Double Charge, Roto Printing Machines, Special Printing Machines (Digital), which made RAK more competent in the ceramic industry to compete with other local manufacturers.



### Valuation of RAK Share

Based on the above analysis it has appeared that **P/BV valuation** would be the most appropriate relative valuation method for a capital intensive company like RAK. Therefore, we are considering valuation based on P/BV to be the **primary valuation Method** for the company. However, we have also applied other suitable and frequently referred methods, i.e. valuation based on **P/E Multiple** and **Dividend Discount Model (DDM)**, to have full spectrum of valuations.

#### A. Primary Valuation Method: Valuation based on P/BV multiple of similar stocks

The average NAV growth rate of RAK over the last five years was 18.77%. The increasing trend of NAV per share reflects that RAK has been consistently investing in fixed assets, which is extremely important to maintain profit growth in a rapidly fluctuating business environment. Considering the capital intensive nature of RAK, NAV would be a powerful indicator of profitability and sustainability of the company. Therefore, an acceptable value may be derived by multiplying NAV by a representative P/BV multiple.

We have adopted following measures to find out the representative Price/Book Value (P/BV) for RAK valuation:

1. We have analyzed the distribution of P/BV multiples of the companies listed with Bangladesh stock exchange(s) categorized under different pertinent parameters. A company may appear in more than one category if it qualifies to be included in those categories.
2. We have considered only manufacturing and marketing companies in each category to make the comparison more relevant.
3. In order to remove the impact of regular price variations we have considered six months' average price of the comparables in determination of their P/BV multiples covering a period of January 1, 2009 to June 30, 2009. The price of the comparables at Dhaka Stock Exchange is used for the purpose.
4. During the selection of P/BV multiple, we have set a cut-off value at 7.14 which is 100% higher than the market P/BV multiple of 3.57<sup>1</sup> as on June, 2009. During the calculation of market P/BV, we have considered only the companies listed with Dhaka Stock Exchange having positive book value.

<sup>1</sup> IDLC Equity Research

## Trend Setters

5. The last reported full year NAV of the companies are considered in measuring P/BV multiples.
6. Finally, the representative P/BV multiple is determined by calculating the weighted average P/BV ratio of the average P/BV multiples of each category of comparables.

### Average P/BV Ratio of the Companies having Turnover of BDT 2,000 Million to BDT 4,000 Million

Company Name	Net Turn Over (BDT in mn)	Last 6 Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Meghna Cement Limited	2,824.30	513.13	275.20	1.86
BOC Bangladesh Limited	2,498.58	264.19	99.28	2.66
Renata Limited	3,089.75	7708.39	1,240.35	6.21
Berger Paints Bangladesh Limited	3,527.70	274.84	39.29	7.00
Average				4.43

The turnover of RAK (BDT 3,248 million as on December 31, 2008) falls within the above turnover range. The range is carefully set to gather a good number of comparable companies in the segment.

### Average P/BV Ratio of the Companies having Equity of BDT 1,750 Million to BDT 3,300 Million

Company Name	Shareholders Equity (BDT in mn)	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Heidelberg Cement Bangladesh Limited	2,856.80	1218.4	585.46	2.08
British American Tobacco Bangladesh Co Ltd.	3,284.70	215.65	75.56	2.85
Square Textiles Limited	3,247.55	109.13	43.91	2.49
Advance Chemical Industries Limited	1,794.80	462.52	154.85	2.99
Average				2.60

The equity of RAK (BDT 2,152 million as on December 31, 2008) falls within the above equity range. The range is carefully set to gather a good number of comparable companies in the segment.

**Average P/BV Ratio of the Companies having Net Profit of BDT 150 Million - BDT 400 Million**

Company Name	Net Profit (BDT in mn)	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
BOC Bangladesh Limited	359.34	264.19	99.28	2.66
Singer Bangladesh Limited	153.08	1769.69	278.81	6.35
Meghna Petroleum Limited	381.38	152.98	23.20	6.59
Apex Adelchi Footwear Limited	189.83	1948.22	500.39	3.89
Square Textiles Limited	236.53	109.13	43.91	2.49
Berger Paints Bangladesh Limited	400.66	274.84	39.26	7.00
<b>Average</b>				<b>4.83</b>

The net profit of RAK (BDT 286 million as on December 31, 2008) falls within the above net profit range. The range is carefully set to gather a good number of comparable companies in the segment.

**Average P/BV Ratio of the Major Listed Multinational Companies (MNCs)**

Company Name	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Heidelberg Cement Bangladesh Limited	1218.40	585.46	2.08
Singer Bangladesh Limited	1769.69	278.81	6.35
British American Tobacco Bangladesh Co Ltd.	215.65	75.56	2.85
Bata Shoe Company (Bangladesh) Limited	316.15	71.06	4.45
Reckitt Benkiser (Bangladesh) Limited	472.93	92.46	5.11
Renata Limited	7708.36	1,240.35	6.21
BOC Bangladesh Limited	264.19	99.28	2.66
Berger Paints Bangladesh Limited	274.84	39.26	7.00
<b>Average</b>			<b>4.59</b>

**Average P/BV Ratio of the Similar Entity Risk Class**

Company Name	Long Term Equity Rating	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Power Grid Company of Bangladesh Ltd	A	598.18	351.55	1.70
Dhaka Electric Supply Company Ltd.	A+	1096.69	334.95	3.27
Berger Paints Bangladesh Limited	AA	274.84	39.26	7.00
Jamuna Oil Company Limited	A	161.85	32.91	4.92
Advanced Chemical Industries Limited	A+	452.52	154.85	2.99
Keya Cosmetics Limited	A-	61.53	19.11	3.22



## Trend Setters

Company Name	Long Term Equity Rating	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Meghna Petromeum Limited	A+	152.98	23.20	6.59
<b>Average</b>				<b>4.24</b>

### Average P/BV Ratio of the Ceramic Industry

Company Name	Six Month Avg. Price (BDT)	Book Value Per share (BDT)	P/BV Ratio
Monno Ceramic Industries Limited	397.14	224.95	1.77
Standard Ceramics Limited	184.27	175.59	1.05
Fu-wang Ceramic Industries Limited	233.55	144.07	1.62
Shinepukur Ceramics Limited	101.17	28.28	3.58
<b>Average</b>			<b>2.01</b>

### Findings and Calculation of Representative P/BV Multiple

Categories of Comparable Companies	Avg. P/BV Ratio	Assigned Weight	Weighted P/B Value
Companies having Turnover of BDT 2,000 M to 3,600 M	4.43	0.167	0.74
Companies having Equity of BDT 1,750 M to 3,300 M	2.60	0.167	0.43
Companies having Net Profit of BDT 270 M to 450 M	4.83	0.167	0.81
Listed MNCs	4.59	0.167	0.77
Similar Equity Risk Class	4.24	0.167	0.71
Ceramic Industry	2.01	0.167	0.34
<b>P/BV Multiple</b>		<b>1.00</b>	<b>3.80</b>

### Determining the Fair Value of RAK Stock

The following table shows the fair value of RAK stock applying the representative P/BV multiple of 3.80:

Particulars	
Book Value of RAK Ceramics (Bangladesh) Limited as on December 31, 2008 (BDT) <sup>2</sup>	11.60
Representative P/BV Multiple (X)	3.80
<b>Fair Value (BDT)</b>	<b>44.08</b>

<sup>2</sup> After close of accounts on June 30, 2009, the Management of RAK (Bangladesh) Limited has split the par value of its shares to Tk. 10 from Tk. 100. The valuation is, therefore, made on the basis of split value.

## B. Other Valuation Methods

### (i) Valuation based on P/E multiple of similar stocks

As the stock price is determined by the future earning power of a company, general investors of our capital market widely use Earning per Share (EPS) and Price Earning (P/E) multiple as one of the determinants of price of a stock. Furthermore, P/E multiple remains relatively stable compared to absolute price movement of a stock in the market. Therefore, we have derived the price of RAK through multiplying actual EPS of the company with an acceptable and representative P/E multiple of the comparable companies.

#### Assumptions:

We have adopted the following measures to find out the representative P/E multiple for RAK valuation:

1. We have analyzed the distribution of P/E multiples of the companies listed with Bangladesh stock exchanges categorized under different pertinent parameters. A company may appear in more than one category if it qualifies to be included in those categories.
2. We have considered only manufacturing and marketing companies in each category to make the comparison more relevant.
3. In order to remove the impact of regular price variations we have considered six months' average price of the comparables in determination of their P/E multiples covering a period of January 1, 2009 to June 30, 2009. The price of the comparables at Dhaka Stock Exchange is used for the purpose.
4. During the selection of P/E multiple, we have set a cut-off value of 27.66 which is 50% higher than the Market P/E multiple of 18.44<sup>3</sup> as on June, 2009 since market P/E ratio is a good representation of the overall market condition. To enhance the comparability, we have eliminated companies with outsized P/E multiple above the cut-off value, which may distort the normal distribution of P/E ratios, from each category, if there was any.
5. As there is no true comparable company to RAK listed with the Bangladesh Stock Exchange(s), we have considered all the listed companies in the ceramic sector under ceramic industry. The P/E ratio of listed ceramic companies was much higher than the cut-off value and the above-mentioned criteria for selecting P/E multiple was not applicable for the companies under this category.
6. The last reported full year EPS of the companies are considered in measuring P/E multiples. In case of companies under "Ceramic Industry", we have considered their annualized EPS based on their latest EPS declaration.
7. Finally, the representative P/E multiple is determined by calculating the weighted average P/E ratio of the average P/E multiples of each category of comparables.

The following tables illustrate the average P/E multiples of various categories of comparable stocks:

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3 [www.dsebd.org](http://www.dsebd.org)

## Trend Setters

### Average P/E Ratio of the Companies having Turnover of BDT 2,000 Million to BDT 4,000 Million

Company Name	Net Turn Over (BDT in mn)	6 Month Avg. Price (BDT)	EPS (BDT)	P/E Ratio
Meghna Cement Limited	2,824.30	513.13	65.86	7.79
BOC Bangladesh Limited	2,498.58	264.19	23.61	11.19
Renata Limited	3,089.75	7,708.39	303.37	25.41
Berger Paints Bangladesh Limited	3,527.70	274.84	17.28	15.91
<b>Average</b>				<b>15.07</b>

The turnover of RAK (BDT 3,248 million as on December 31, 2008) falls within the above turnover range. The range is carefully set to gather a good number of comparable companies in the segment.

### Average P/E Ratio of the Companies having Equity of BDT 1,750 Million to BDT 3,300 Million

Company Name	Shareholders Equity (BDT in mn)	Six Month Avg. Price (BDT)	EPS (BDT)	P/E Ratio
Heidelberg Cement Bangladesh Limited	2,856.80	1218.4	105.00	11.60
British American Tobacco Bangladesh Company Limited	3,284.70	215.65	27.81	7.75
Square Textiles Limited	3,247.55	109.13	4.91	22.23
Advance Chemical Industries Limited	1,794.80	462.52	66.52	6.96
<b>Average</b>				<b>12.13</b>

The equity of RAK (BDT 2,152 million as on December 31, 2008) falls within the above equity range. The range is carefully set to gather a good number of comparable companies in the segment.

### Average P/E Ratio of the Companies having Net Profit of BDT 150 Million - BDT 400 Million

Company Name	Net Profit (BDT in mn)	Six Month Avg. Price (BDT)	EPS (BDT)	P/E Ratio
BOC Bangladesh Limited	359.34	264.19	23.61	11.19
Singer Bangladesh Limited	153.08	1769.69	68.22	25.94
Apex Adelchi Footwear Limited	189.83	1948.22	168.74	11.55
Meghna Petroleum Limited	381.38	152.98	8.67	17.64
Square Textiles Limited	236.53	109.13	4.91	22.23
Berger Paints Bangladesh Limited	400.66	274.84	17.28	15.91
<b>Average</b>				<b>17.41</b>

The net profit of RAK (BDT 286 million as on December 31, 2008) falls within the above net profit range. The range is carefully set to gather a good number of comparable companies in the segment.

**Average P/E Ratio of the Major Listed Multinational Companies (MNCs)**

Company Name	Six Month Avg Price (BDT)	EPS (BDT)	P/E Ratio
Heidelberg Cement Bangladesh Limited	1218.4	105	11.60
Singer Bangladesh Limited	1769.69	68.22	25.94
British American Tobacco Bangladesh Company Limited	215.65	27.81	7.75
Bata Shoe Company (Bangladesh) Limited	316.15	32.85	9.62
Reckitt Benkiser (Bangladesh) Limited	472.93	35.05	13.49
Renata Limited	7,708.36	303.37	25.41
BOC Bangladesh Limited	264.19	23.61	11.19
Berger Paints Bangladesh Limited	274.84	17.28	15.91
<b>Average</b>			<b>15.12</b>

**Average P/E Ratio of the Similar Entity Risk Class**

Company Name	Long Term Equity Rating	Six Month Avg. Price(BDT)	EPS (BDT)	P/E Ratio
Power Grid Company of Bangladesh Limited	A	598.18	46.46	12.88
Dhaka Electric Supply Company Limited	A+	1096.69	74.98	14.63
Berger Paints Bangladesh Limited	AA	274.84	17.28	15.91
Meghna Petroleum Limited	A+	152.98	8.67	17.64
Jamuna Oil Company Limited	A	161.85	11.36	14.25
Keya Cosmetics Limited	A-	61.53	3.14	19.60
Advanced Chemical Industries Limited	A+	462.52	66.52	6.96
<b>Average</b>				<b>14.55</b>

## Trend Setters

### Average P/E Ratio of Ceramic Industry

Company Name	Six Month Avg. Price (BDT)	EPS (BDT)	P/E Ratio
Monno Ceramic Industries Limited	397.14	3.56	111.56
Standard Ceramics Limited	184.27	n/a	n/a
Fu-wang Ceramic Industries Limited	233.55	9.56	24.43
Shinepukur Ceramics Limited	101.17	5.68	17.81
<b>Average</b>			<b>51.27</b>

### Findings and Calculation of Representative P/E Multiple

The following table illustrated the P/E ratios of each class along with the assigned weights to respective classes:

Categories of Comparable Companies	Avg. P/E Ratio	Assigned Weight	Weighted P/E Value
Companies having Turnover of BDT 2,000 M to 3,600 M	15.07	0.167	2.52
Companies having Equity of BDT 1,750 M to 3,300 M	12.13	0.167	2.03
Companies having Net Profit of BDT 270 M to 450 M	17.41	0.167	2.91
Listed MNCs	15.12	0.167	2.53
Similar Equity Risk Class	14.55	0.167	2.43
Ceramic Industry	51.27	0.167	8.56
<b>P/E Multiple</b>		<b>1.00</b>	<b>20.98</b>

### Determining the Fair Value of RAK Stock

The following table shows the fair value of RAK stock applying the representative P/E multiple of 20.98:

Particulars	
EPS of RAK Ceramics (Bangladesh) Limited as on December 31, 2008 (BDT)	1.54
Representative P/E Multiple (X)	20.98
Fair Value (BDT)	32.31

### (ii) Valuation based on Dividend Discount Model

As dividend is the most relevant cash flow for the minority shareholders of a company, we have adopted Dividend Discount Model (DDM) for valuing the share of RAK. The valuation is based on the forecasted earnings and dividend payments of the company prepared by

RAK Ceramics (Bangladesh) Limited. The projected financials duly verified by the auditors and dividend policy has been presented in Annexure I.

Assumptions:

1. Required Rate of Return (RRR) is assumed at 12.00% while the risk-free rate is around 10%.
2. The dividend payout ratio is assumed to be 80% for the year 2009, 2010 and 2011. The perpetual payout ratio is assumed to be 40%.
3. Perpetual growth rate is determined by multiplying the average Return on Equity (ROE) for the last three years by the projected retention rate.

**Determining Adjusted DPS and Present Value of Dividends**

Projected Year	1st Stage			Terminal Year
	2009	2010	2011	2012
	0	1	2	
EPS (Tk.)	1.4	1.8	2.4	2.6
Payout Ratio	80%	80%	80%	40%
Adjusted DPS (Tk.)	1.1	1.4	1.88	1.03
PV Factors	1	0.8929	0.7972	
Present Value of Dividend (Tk.)	1.1	1.3	1.5	

**Determining the Dividend Growth Rate (g)**

	2006	2007	2008
<b>Return on Equity (ROE)</b>	<b>14.34%</b>	<b>19.30%</b>	<b>14.47%</b>
(a) Average ROE = 16%			
(b) Retention Rate (g) = 60%			
Dividend Growth Rate (a)X(b) = 9.6%			

Determining the Value of RAK Share <sup>4</sup>

Terminal Value (TV) at year 2011 <sup>4</sup>	43.5
Present Value of TV	34.7
Present Value of Dividends	3.9
Value Per share (Tk.)	38.6

**Therefore, applying the DDM, the per share value of RAK has been derived at Tk. 38.6**

<sup>4</sup> The TV has been derived by dividing the dividend of year 2011 by the required rate of return less the perpetual growth rate, i.e.  $DPS_{2011} / (required\ rate\ of\ return - growth\ rate)$ .

## Trend Setters

### Determination of Indicative Fair Price:

The offer price of RAK is derived under different applicable valuation methods. Finally, the fair value of RAK share is derived by calculating the weighted average price of the fair values derived under different valuation techniques. Since, RAK has appeared to be a capital intensive company, highest weight is assigned to the price derived through Primary Valuation Method and equal weights are assigned to the prices derived through other valuation technique.

Particulars	Values (Tk.)	Assigned wt.	Weighted Value (Tk.)
Price Based on Average P/BV Multiple of Similar Stocks	44.08	0.650	28.65
Price Based on Average P/E Multiple of Similar Stocks	32.31	0.175	5.65
Price Based on DDM	38.6	0.175	6.76
Price (Fair Value)			41.06

The above table shows that the estimated fair price of RAK is **Tk. 41.06**. RAK in association with IDLC Finance Limited, the lead Issue Manager, and BRAC EPL Investments Limited, the Joint Issue Manager, has the Indicative Price at Tk. 40.

### Additional Justifications to the Indicative Price

1. During the last five years, RAK has experienced significant growth in revenue and earnings. The half yearly revenue of this year was 25.90% higher than that of the previous year. The company is expected to have a profitable business in this year due to the positive impact of the recently declared Budget 2009-10 and the declining price of raw materials in the International Market. Considering all the internal and external factors, a conservative approach has been taken during the future projection of RAK earnings. The industry and business outlook of the company reveal that the company will continue to maintain above industry-average growth during the next several years as a market leader.
2. The NAV per share of RAK grew at a steady rate since inception. The NAV per share of the company grew by 95.55% in last five years. The increasing trend of NAV represents that the company always focused in maintaining a strong asset base which increased their investment opportunities to support their expansion plan. As RAK is the market leader in the ceramic sector of the country, it is expected that the company will further expand its business resulting into higher turnover, earnings and NAV.
3. RAK is the market leader in the ceramic industry with strong brand equity. The company is maintaining a strong equity base and enjoys a wide diversification of products currently. All

these factors contribute to the company’s strength of generating substantial revenue. Rationally, the company is adjudged as modest risk, high-safety and investment-grade rating of AA+<sup>5</sup>, which is a very high rating for any manufacturing company in Bangladesh. However, such a low-risk company may attract high P/E multiple in the capital market.

**Conclusion:**

From the above justifications, it may be seen that the Indicative Price is reasonably set considering the net asset value, future earning power, and risk aspects of the company. One point that needs to be mentioned here is that valuation is not timeless. However, we reasonably expect that the value that we have derived for RAK will remain valid for next twelve (12) months.

**Consent of the Eligible institutional Investors regarding indicative price**

7 (Seven) Institutional Investors have consented to the proposed indicative price of Tk. 40 each. The following table illustrates the list of Eligible Institutional Investors (Ells) consenting to the indicative price:

Name	Category
Prime Bank Limited	Bank & Merchant Banker
Southeast Bank Limited	Bank & Merchant Banker
IFIC Bank Limited	Bank
Prime Finance & Investment Limited	FI & Merchant Banker
LankaBangla Finance Limited	FI & Merchant Banker
Mercantile Insurance Limited	Insurance Company
Royal Green Securities Limited	Stock Dealer

**Market for the securities being offered**

The issuer shall apply to all the stock exchanges in Bangladesh with 7 (Seven) working days from the date of consent accorded by the Commission to issue prospectus.

The issuer will apply at:



**Dhaka Stock Exchange Limited.**  
9/E, Motijheel Commercial Area, Dhaka 1000.

And



**Chittagong Stock Exchange Limited**  
CSE Building, 1080, Sheikh Mujib Road, Chittagong 4100

5 Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic condition.



## Trend Setters

### **Declaration about listing of shares with Stock Exchange(s)**

None of the stock exchange(s), if for any reason, grants listing within seventy five (75) days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said seventy five (75) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen (15) days, the company's directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (Two Percent) per month above the bank rate, to the subscribers concerned.

The Issue Manager, in addition to the Issuer Company, shall ensure due compliance of the above mentioned conditions and submit compliance report, thereon, to the Commission within seven (7) days of expiry of the aforesaid fifteen (15) days time period allowed for refund of the subscription money.

### **Description of Securities outstanding or being offered**

#### **Dividend, Voting, Preemption Rights**

The share capital of the company is divided into ordinary shares and is eligible to receive dividend in terms of the relevant provisions of the Companies Act, 1994 and the Articles of Association of the company. All Shareholders shall have the usual voting right in person or by proxy or power of attorney in connection with, among others, selection of Directors and Auditors and other usual General Meeting whether ordinary or extraordinary. On a show of hands every shareholder present and every duly authorized representative of a shareholder present at a General Meeting shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every share held by him/her.

In case of any additional issue of shares for raising further capital, the existing shareholders shall be entitled in terms of the guidelines issued by SEC time to time.

#### **Conversion and Liquidation Rights**

If the Company at any time issues convertible preferences shares or debentures with the consent of SEC or/and other regulatory authority, such holders of securities shall be entitled to convert such securities into ordinary shares if it is so determined by the Company.

In terms of the provisions of the Companies Act, 1994, Articles of Association of the Company and other relevant rules in force, the shares, if any, of the company are freely transferable. The company shall not charge any fee for registering transfer of bonds. No transfer shall be made to firms, minors or persons of unsound mind.

### **Dividend Policy**

1. The profit of the company, subject to any special right relating thereto created or authorized to be created by the Memorandum of Association and subject to the provision of the Articles of Association, shall be divisible among the members in proportion to the capital paid up on the shares held by them respectively.
2. The Company in General Meeting may declare dividend to be paid to the members according to their rights and interests in the profits and may fix the time of payment. But no larger dividend shall be declared than is recommended by the Directors, but the Company at its General Meeting may declare a smaller dividend. The declaration of Directors as to the amount of net profit of the company shall be conclusive.
3. No dividend shall be payable except out of profits of the company or any other undistributed profits. Dividend shall not carry interest as against the Company.
4. The Directors may, from time to time, pay the members, such interim dividend, as in their judgment, the financial position of the Company may justify.
5. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of transfer.
6. There is no limitation on payment of dividends to common stockholders.

### **Other Rights of the Shareholders**

In terms of provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are transferable. The Company shall not charge any fee, other than Government duties for registering transfer of shares. No transfer shall be made to a minor or person of unsound mind.

The shareholders shall have the right to receive all periodical reports and statements, audited as well as un-audited, published by the company from time to time. The Directors shall present the financial statements as required under the law and Bangladesh Accounting Standards (BAS). Financial Statements will be prepared in accordance with the Bangladesh Accounting Standards, consistently applied throughout the subsequent periods and present with the objective of providing maximum disclosure as per law and Bangladesh Accounting Standard to the shareholders regarding the financial and operational position of the Company.

## Trend Setters

In case of any declaration of stock dividend by issue of bonus shares, all shareholders shall be entitled to it, in proportion to their shareholdings, on the date of book closure for the purpose.

The shareholder holding not less than 10% of the issued/fully paid up capital of the company shall have the right to requisition Extra-Ordinary General Meeting of the company as provided under Section 84 of the Companies Act, 1994.

## Debt Securities

The Company has not issued any debt securities and has no future plan as such within six months.

## Section - X

### Plan of Distribution

#### Underwriting of shares

Initial Public Offering (IPO) is for 34,510,000 Ordinary Shares of Tk. 10/- each, at an issue price Tk. 48/- each, amounting to Tk. 1,380,400,000/- (Taka One Billion Six Hundred Fifty Six Million Four Hundred Eighty Thousands Only). 20% of the said offering i.e. 6,900,200 ordinary shares has been subscribed by Eligible Institutional Investors through Book Building Process. As per SEC's guideline 50% of the remaining 27,608,000 ordinary shares i.e. 13,804,000 ordinary shares at an issue price of Tk 48/- each amounting to Tk. 662,592,000/- (Taka Six Hundred Sixty Two Million Five Hundred Ninety Two Thousand Only) has been underwritten by the following institutions:

Name of Underwriters	Number of Shares underwritten	Amount (Tk.)
ICB Capital Management Ltd.	1,000,000	48,000,000
Prime Bank Ltd.	1,000,000	48,000,000
Trust Bank Ltd.	1,000,000	48,000,000
Eastern Bank Ltd.	1,000,000	48,000,000
Southeast Bank Ltd.	1,000,000	48,000,000
LankaBangla Finance Ltd.	1,000,000	48,000,000
Prime Finance & Investments Ltd.	1,000,000	48,000,000
Bangladesh Mutual Securities Ltd.	1,000,000	48,000,000
Green Delta Insurance Co. Ltd.	1,000,000	48,000,000
BRAC EPL Investments Limited	2,402,000	115,296,000
IDLC Finance Ltd.	2,402,000	115,296,000
<b>Total</b>	<b>13,804,000</b>	<b>662,592,000</b>

#### Principal terms and conditions of underwriting agreement

1. If and to the extent that the shares offered to the public by a Prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within 10 (Ten) days of the closure of subscription call upon the underwriter in writing with a copy of said writing to the Securities and Exchange Commission, to subscribe for the shares not subscribed by the closing date and to pay for in cash in full for such unsubscribed shares in cash in full within 15(Fifteen) days of the date of said notice and the said amount shall have to be credited into shares subscription account within the said period.

## Trend Setters

2. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under the Agreement, until such time as the Cheque/Bank Draft has been en-cashed and the Company's account has been credited.
3. In any case within 7 (Seven) days after the expiry of the aforesaid 15(Fifteen) days, the Company shall send proof of subscription and payment by the underwriter to the Commission.
4. In the case of failure by the underwriter to pay for the shares under the terms mentioned above, the said Underwriter will not be eligible to underwrite any issue, until such time as he fulfils his underwriting commitment under the Agreement and also other penalties as may be determined by the Commission may be imposed on him.
5. In case of failure by any underwriter to pay for the shares within the stipulated time, the Company/Issuer will be under no obligation to pay any underwriting commission under the Agreement.
6. In case of failure by the Company to call upon the underwriter for the aforementioned purpose within the stipulated time, the Company and its Directors shall individually and collectively be held responsible for the consequence and/or penalties as determined by the Securities and Exchange Commission under the law may be imposed on them.

## Commission for the underwriters

The company shall pay to the underwriter an underwriting commission at the rate of 0.5% of 50% of the IPO amount of the issue value of shares underwritten by them out of the Public Issue.

## Relationship of officers or directors of the underwriter(s) with the member of board of the company

No Officer or Director of the Underwriter(s) is presently engaged as the Director of the company.

## Section - XI

# Allotment, Subscription & Market

### Lock-in Provision

All issued shares of the issuer at the time of according consent to public offering shall be subject to a lock-in period of 3 (Three) years from the date of issuance of prospectus or commercial operation, whichever comes later.

Provided that the persons, other than directors and those who hold 5% or more, who have subscribed to the shares of the Company within immediately preceding 2 (Two) years of according consent, shall be subject to a lock-in period of 1 (One) year from the date of issuance of prospectus or commercial operation, whichever comes later.

The following table indicates the pre IPO shareholders position.

Name of the Shareholders	Number of Shares	% of Total Pre Offering Shareholding	Lock in Period from date of Prospectus Issuance
RAK Ceramics PSC, UAE	167,007,050	85.40	3 Years
Mr. S.A.K. Ekramuzzaman	18,556,350	9.49	3 Years
H.H. Sheikh Saud Bin Saqr Al Qassimi	20	0.00001	3 Years
Mr. Sheikh Omar Bin Saqr Al Qassimi	20	0.00001	3 Years
Mr. Sheikh Ahmed Bin Humaid Al Qassimi	20	0.00001	3 Years
Mr. Hamad Abdullah Al Muttawa	10	0.000005	3 Years
Dr. Khater Massaad	10	0.000005	3 Years
Mr. Abdallah Massaad	10	0.000005	3 Years
Mr. Manoj Aheeray	10	0.000005	3 Years
Institutions, Employees*	10,000,000	5.11	1 Year
<b>Total</b>	<b>195,563,500</b>	<b>100.00</b>	

\* RAK Ceramics (Bangladesh) Limited has conducted offering of 10,000,000 ordinary shares of Tk 10 each through capital raising from institutional/individual investors and from its employees. These shares were allotted on January 31, 2010. The details of this allotment are mentioned in the ownership of the Company's securities. As per rule 9 of the SEC (Public Issue) Rules 2006, these shares will be locked in for one year from the date of issuance of prospectus.

## Trend Setters

As 34,510,000 shares will be floated for public issuance, as per Securities & Exchange Commission Notification No. SEC/CMRRCD/2008-186/Admin/03-29 dated March 11, 2009, 20% (i.e. 6,902,000 ordinary shares) of these will be allotted to institutional bidders. There shall be locked-in for 15 (Fifteen) trading days from the first trading day on the security issued to the Eligible Institutional Investors (EII). The details of EII allotment are as follows:

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
AAA Cconsultants & Financial Advisers Limited	45,518	2,184,864	0.020%
AB & Co Limited	45,518	2,184,864	0.020%
AB Bank Limited	45,518	2,184,864	0.020%
Akij Securities Limited	45,518	2,184,864	0.020%
Alliance Financial Services Limited	45,517	2,184,816	0.020%
Alliance Securities & Management Limited	45,518	2,184,864	0.020%
AM Securities & Financial Services Limited	6,594	316,512	0.003%
ANF Management Co. Limited	45,518	2,184,864	0.020%
Anwar Securities Limited	45,518	2,184,864	0.020%
ARC Securities Limited	20,602	988,896	0.009%
Aries Securities Limited	45,518	2,184,864	0.020%
ASENZ Securities Limited	45,518	2,184,864	0.020%
Asia Pacific General Insurance Co Limited	27,434	1,316,832	0.012%
Azam Securities Limited	45,518	2,184,864	0.020%
B & B Enterprize	13,189	633,072	0.006%
Banco Trans World (Bangladesh) Limited	45,518	2,184,864	0.020%
Bangladesh Commerce Bank Limited	4,549	218,352	0.002%
Bangladesh Finance & Investment Co Limited	45,518	2,184,864	0.020%
Bangladesh General Insurance Company	45,518	2,184,864	0.020%
Bangladesh Industrial Finance Company Limited	45,518	2,184,864	0.020%
Bangladesh Mutual Securities Limited	45,518	2,184,864	0.020%
Bank Asia Limited	45,518	2,184,864	0.020%
Bay Leasing & Investment Limited	45,518	2,184,864	0.020%
BE RICH Limited	45,518	2,184,864	0.020%
BRAC Bank Limited	45,518	2,184,864	0.020%
BRAC EPL Stock Brokerage Limited	45,518	2,184,864	0.020%

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
Central Insurance Company Limited	45,518	2,184,864	0.020%
City General Insurance Co. Limited	19,784	949,632	0.009%
CMSL Securities Limited	45,518	2,184,864	0.020%
Continental Insurance Limited	10,301	494,448	0.004%
Crest Securities Limited	45,518	2,184,864	0.020%
Crystal Insurance Company Limited	45,504	2,184,192	0.020%
Delta Brac Housing Finance Corporation Limited	45,518	2,184,864	0.020%
Delta Life Insurance Co Limited	45,518	2,184,864	0.020%
Dhaka Bank Limited	43,920	2,108,160	0.019%
Dhaka Insurance Limited	45,518	2,184,864	0.020%
Dhanmondi Securities Limited	9,100	436,800	0.004%
Dragon Securities Limited	45,518	2,184,864	0.020%
DSFM Securities Limited	45,518	2,184,864	0.020%
Dutch-Bangla Bank Limited	45,518	2,184,864	0.020%
Eastern Bank Limited	45,518	2,184,864	0.020%
Eastern Shares & Securities Limited	45,518	2,184,864	0.020%
Eastland Insurance Company Limited	45,518	2,184,864	0.020%
Expo Traders Limited	45,518	2,184,864	0.020%
Express Insurance Limited	32,974	1,582,752	0.014%
Fareast Finance & Investment Limited	45,518	2,184,864	0.020%
Fareast Islami Life Insurance Co Limited	45,518	2,184,864	0.020%
Fareast Stocks & Bonds Limited	45,518	2,184,864	0.020%
Fidelity Assets & Securities Company Limited	45,516	2,184,768	0.020%
Global Securities Limited	45,518	2,184,864	0.020%
Green Delta Financial Services Limited	45,518	2,184,864	0.020%
Green Delta Insurance Company Limited	45,518	2,184,864	0.020%
GSP Finance Company (Bangladesh) Limited	6,858	329,184	0.003%
HAC Securities Limited	45,518	2,184,864	0.020%
Haji Ahmad Brothers Securities Limited	45,518	2,184,864	0.020%
Hallmark Securities Limited	45,518	2,184,864	0.020%



## Trend Setters

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
Hazrat Amanat Shah Securities Limited	45,518	2,184,864	0.020%
ICB Capital Management Limited	45,518	2,184,864	0.020%
ICB Securities Trading Company Limited	45,518	2,184,864	0.020%
IDLC Employees' Provident Fund	45,333	2,175,984	0.020%
IIDFC Capital Limited	45,518	2,184,864	0.020%
IIDFC Limited	45,518	2,184,864	0.020%
Indicate Securities Consultants Limited	45,502	2,184,096	0.020%
Industrial Promotion and Development Company of Bangladesh Limited	45,518	2,184,864	0.020%
International Finance Investment and Commerce Bank Limited	45,504	2,184,192	0.020%
International Leasing & Financial Services Ltd.	45,504	2,184,192	0.020%
International Securities Co Limited	45,518	2,184,864	0.020%
Investment Corporation of Bangladesh (ICB)	45,518	2,184,864	0.020%
Investment Promotion Services Limited	45,518	2,184,864	0.020%
Islamic Finance & Investment Limited	45,518	2,184,864	0.020%
Island Securities Limited	45,516	2,184,768	0.020%
Jahan Securities Limited	45,518	2,184,864	0.020%
Kabir Securities Limited	29,676	1,424,448	0.013%
Karnafuli Insurance Limited	45,518	2,184,864	0.020%
Kazi Equities Limited	45,518	2,184,864	0.020%
Kazi Showeb Rashid Capital Limited	45,518	2,184,864	0.020%
Khaja Equity Services Limited	45,518	2,184,864	0.020%
LankaBangla Finance Limited	45,518	2,184,864	0.020%
LankaBangla Securities Limited	45,518	2,184,864	0.020%
Latif Securities Limited	45,518	2,184,864	0.020%
M & Z Securities Limited	45,518	2,184,864	0.020%
M Rahman Securities Limited	45,518	2,184,864	0.020%
M Zubair Securities Limited	45,517	2,184,816	0.020%
Md Shahidullah Securities Limited	45,518	2,184,864	0.020%
Meenhar Securities Limited	45,517	2,184,816	0.020%

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
Meghna Cement Mills Ltd. - Staff Provident Fund	5,486	263,328	0.002%
Meghna Life Insurance Company Limited	45,518	2,184,864	0.020%
Mercantile Bank Limited	45,517	2,184,816	0.020%
Mercantile Insurance Company Limited	45,518	2,184,864	0.020%
Mercantile Securities Limited	45,518	2,184,864	0.020%
Merchant Securities Limited	45,504	2,184,192	0.020%
Midway Securities Limited	45,518	2,184,864	0.020%
Mika Properties & Securities Limited	45,517	2,184,816	0.020%
Mirpur Securities Limited	45,518	2,184,864	0.020%
Mjl Bangladesh Limited	13,189	633,072	0.006%
Modern Securities Limited	45,518	2,184,864	0.020%
Moharam Securities Limited	45,518	2,184,864	0.020%
Mona Financial Consultancy & Securities Limited	45,518	2,184,864	0.020%
Multi Securities & Services Limited	45,518	2,184,864	0.020%
National Bank Limited	45,518	2,184,864	0.020%
National Housing Finance And Investments Ltd.	45,518	2,184,864	0.020%
NCC BANK Limited	45,518	2,184,864	0.020%
ONE Bank Limited	45,518	2,184,864	0.020%
Parkway Securities Limited	45,518	2,184,864	0.020%
Peoples Insurance Co Limited	45,518	2,184,864	0.020%
People's Leasing & Financial Services Limited	45,518	2,184,864	0.020%
PFI Employees Provident Fund	45,518	2,184,864	0.020%
PFI Securities Limited	45,518	2,184,864	0.020%
Phoenix Finance & Investments Limited	45,518	2,184,864	0.020%
PHP Stock & Securities Limited	45,518	2,184,864	0.020%
Popular life Insurance company Limited	45,518	2,184,864	0.020%
Premier Leasing & Finance Limited	43,592	2,092,416	0.019%
PRILINK Securities Limited	45,518	2,184,864	0.020%
Prime Bank Limited	45,518	2,184,864	0.020%
Prime Finance & Investment Limited	45,518	2,184,864	0.020%

## Trend Setters

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
Prime Insurance Co Limited	45,518	2,184,864	0.020%
Prime Islami Life Insurance Limited	45,518	2,184,864	0.020%
Progressive Life Insurance Company limited	13,189	633,072	0.006%
Prudential Securities Limited	45,504	2,184,192	0.020%
Purabi General Insurance Company Limited	45,518	2,184,864	0.020%
Quayum Securities Limited	45,518	2,184,864	0.020%
RAK Provident Fund	10,261	492,528	0.004%
Rashid Investment Services Limited	45,504	2,184,192	0.020%
Reliance Finance Limited	45,518	2,184,864	0.020%
Reliance Insurance Limited	45,518	2,184,864	0.020%
Remons Investment & Securities Limited	45,518	2,184,864	0.020%
Renata Limited - Employees Provident Fund	45,518	2,184,864	0.020%
Rising Securities Limited	45,518	2,184,864	0.020%
RNI Securities Limited	9,232	443,136	0.004%
Royal Capital Limited	45,518	2,184,864	0.020%
Royal Green Securities Limited	45,566	2,187,168	0.020%
Rupali Insurance Company Limited	45,504	2,184,192	0.020%
Saad Securites Limited	45,518	2,184,864	0.020%
Sadharan Bima Corporation	45,518	2,184,864	0.020%
Salta Capital Limited	45,518	2,184,864	0.020%
Sandhani Life Insurance Company Limited	45,518	2,184,864	0.020%
SAR Securities Limited	45,518	2,184,864	0.020%
Shah Mohammad Sagir & Co Limited	45,504	2,184,192	0.020%
Shahiq Securities Limited	1,371	65,808	0.001%
Shahjahan Securities Limited	20,601	988,848	0.009%
Shahjalal Islami Bank Limited	45,518	2,184,864	0.020%
Shakil Rizvi Stock Limited	45,518	2,184,864	0.020%
Shyamol Equity Management Limited	45,518	2,184,864	0.020%
Social Islami Bank Limited	45,504	2,184,192	0.020%
Sonar Bangla Insurance Limited	36,269	1,740,912	0.016%
Southeast Bank Limited	45,518	2,184,864	0.020%

Name of the Eligible Institutional Investors	No of Shares allotted	Amount (Tk)	% of outstanding shares Post Offering
Square Securities Management Limited	45,518	2,184,864	0.020%
SR Capital Limited	6,594	316,512	0.003%
Standard Bank Limited	40,176	1,928,448	0.017%
Standard Insurance Limited	45,518	2,184,864	0.020%
Stock and Bond Limited	45,518	2,184,864	0.020%
Subvalley Securities Limited	45,504	2,184,192	0.020%
Surma Securities Holding Co Limited	39,568	1,899,264	0.017%
Swadesh Investment Management Limited	45,504	2,184,192	0.020%
The City Bank Limited	45,518	2,184,864	0.020%
The Premier Bank Limited	45,518	2,184,864	0.020%
Thea Securities Limited	19,783	949,584	0.009%
Total Communication Limited	45,518	2,184,864	0.020%
Trust Bank Limited	45,518	2,184,864	0.020%
Union Capital Limited	45,518	2,184,864	0.020%
Uniroyal Securities Limited	45,518	2,184,864	0.020%
United Commercial Bank Limited	45,504	2,184,192	0.020%
Uttara Finance and Investments Limited	45,518	2,184,864	0.020%
Vanguard Shares & Securities Limited	45,518	2,184,864	0.020%
Vision Capital Management Limited	45,518	2,184,864	0.020%
Western Security Investment Mangement Limited	45,518	2,184,864	0.020%
<b>Total</b>	<b>6,902,000</b>	<b>331,296,000</b>	

### Refund of subscription money

As per SEC Notification Dated February 9, 2010, the issuer shall refund application money to the unsuccessful applicant of the public offer by any of the following manner based on the option given by the applicant in the application form;-

- (a) Through banking channel for onward deposit of the refund money into the applicant's bank account as provided in the respective application form for subscription;
- or
- (b) Through issuance of refund warrant in the name and address of the applicant as provided in the respective application form for subscription:

## Trend Setters

Provided that, in case of deposit into the applicant's bank account, the applicant will bear the applicable service charge, if any, of the applicant's banker, and the issuer shall simultaneously issue a letter of intimation to the applicant containing, among others, the date and amount remitted with details of the bank through and to which bank such remittance has been effected."

### Subscription by and refund to non-resident Bangladeshis (NRB)

1. A Non-Resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking "Account Payee only".
2. The value of securities applied for by such person may be paid in Taka or US dollar or UK pound sterling or EURO at the rate of exchange mentioned in the securities application form.
3. Refund against oversubscription shall be made in the currency in which the value of securities was paid for by the applicant through Account Payee bank cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form. If the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue and other banks as mentioned below, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms.

### Availability of securities

#### 1. Securities

	Securities	Number of shares	Total amount (Tk.)
A	20% of IPO of Ordinary Shares subscribed by Eligible Institutional Investors through Book Building Method	6,902,000	331,296,000
B	10% of IPO of Ordinary Shares shall be reserved for Non Resident Bangladeshis	3,451,000	165,648,000
C	10% of IPO of Ordinary Shares shall be reserved for Mutual funds and Collective Investment schemes registered with the Commission	3,451,000	165,648,000
D	60% of IPO of Ordinary Shares shall be opened for Subscription by the General Public	20,706,000	993,888,000
	<b>Total (A+B+C+D)</b>	<b>34,510,000</b>	<b>1,656,480,000</b>

2. All as stated in 1 (A), 1(B), 1(C) and 1(D) shall be offered for subscription and subsequent allotment by the Issuer, subject to any restriction, which may be imposed, from time to time, by the Securities and Exchange Commission.
3. Under the clause 1(A), the Institutional Investors will be allotted security on a pro-rata basis at the weighted average price of the bids that would clear the total number of securities being offered to the Institutional Investors.
4. The securities offered to the investors under clause 1(B), 1(C) and 1(D) will be at the cut-off price determined during the Book Building Process.
5. In case of over-subscription under any of the categories mentioned in the clause 1(B), 1(C) and 1(D), the Issue Manger shall conduct an open lottery of all the applications received under each category separately in accordance with the letter of consent issued by the Securities and Exchange Commission.
6. In case of under-subscription under any of the 10% category as mentioned in clause 1(B) and 1(C), the unsubscribed portion shall be added to the general public category, and, if after such addition there is over-subscription in the general public category the issuer and the issue manager shall jointly conduct an open lottery of all the applicants added together.
7. In case of under-subscription of the public offering, the unsubscribed portion of shares shall be taken up by the underwriter(s).
8. The lottery as stated in clause (5) and (6) should be conducted in the presence of the representatives of Issuer, Stock Exchange(s) and the applicants, if there be any.

## Allotment

The company reserves the right of accepting any application, either in whole, or in part, successful applicants will be notified by the dispatch on an allotment letter by registered post/courier. Letter of allotment and refund warrants will be issued within 5(five) weeks from the closing of the subscription. After allotment the company will have to transfer the shares to the allottees' Beneficiary Owners (BO) account, which has been mentioned in the application form.

The company shall issue share allotment letter to all successful applicants, within 5(five) weeks, from the date of the subscription closing date. At the same time, the unsuccessful application shall be refunded with the application money within 5 (five) weeks from the closing of the subscription date, by Account Payee Cheque, without interest payable at Dhaka/Chittagong/Khulna/Rajshahi/Barisal/Sylhet as the case may be.

Where allotment is made, in whole or in part in respect of joint application, the allotment letter will be dispatched to the person whose name appears first in the application form notwithstanding that the shares have been allotted to the joint applicants. Where joint applicant is accepted in part, the balance of any amount paid on application will be refunded without interest to the person named first in the application form.

## Application for subscription

1. Application for shares may be made for a minimum lot of 200 units of shares to the value of Tk. 9,600 (Taka Nine Thousand Six Hundred Only) and should be made on the company's Printed Application Forms. Application Forms and Prospectus may be obtained from the Registered Office of the Company, members of Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, or from the Bankers to the issue. In case, adequate Forms are not available, applicants may use photocopied/ cyclostyled/ handwritten/typed copies of the Forms. Applications must not be for less than 200 units of share. Any application not meeting this criterion will not be considered for allotment purpose.
2. Joint application form for more than two (2) persons will not be accepted. In the case of joint application, each party must sign the application form.
3. Application must be in full name of individuals, or limited companies, or trusts or societies, and not in the name of minors or persons of unsound mind. Applications from of insurance, financial and market intermediary companies must be accompanied by Memorandum and Articles of Association of that company.
4. **An applicant cannot submit more than two applications, one in his own name and another jointly with another person. In case an applicant makes more than two applications, all the application will be treated as invalid and will not be considered for allotment purpose. In addition whole or part of application money may be forfeited by the Commission.**
5. Bangladeshi Nationals (including non-resident Bangladeshi Nationals working abroad) and foreign nationals shall be entitled to apply for the share.
6. Payment for subscription by investors other than Non-Resident Bangladeshi may be made to the said branches/offices of the banks mentioned in the application forms in Cash/Cheque/ Pay Order/Bank Draft. The Cheque/ Pay Order/ Bank Draft shall be made payable to the bank to which it is sent, be marked "**RAK Ceramics (Bangladesh) Limited**", shall bear the crossing "**A/C Payee Only**" and must be drawn on a bank in the same town of the bank to which application form is deposited.
7. All completed application forms together with remittances for the full amount, payable on application, shall be lodged by investors other than Non-Resident Bangladeshis with any of the branches of the Bankers to the Issue.
8. A Non-Resident Bangladeshi (NRB) shall apply against the Public Offer either directly by enclosing a foreign demand draft, drawn on a bank payable at Dhaka, or through a nominee (including a Bank or a Company) by paying out of foreign currency deposit account maintained in Bangladesh, for the value of securities applied for. The value of securities applied for may be paid in Taka, US Dollars, Great Britain Pounds or Euro Dollars at the spot buying (TT Clean) rate of exchange prevailing the date of opening of subscription. Refund against over subscription of shares shall be made in the currency, in which the value of shares, applied for,

was paid by the applicant. Shares application form against the quota for NRB shall be sent by the applicant directly along with a bank draft or cheque to the company at its registered office. Copies of application form and prospectus shall be available with the Bangladesh Embassy/High Commission in USA, UK, Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain, Malaysia, and South Korea and on the website of the SEC, Issuer Company, Issue Managers, DSE and CSE.

9. A separate escrow account has been opened by the company in compliance with letter issued by SEC/CI/IPO-113/2009/390, dated January 10, 2010 (Clause 15) for depositing bidding and subscription money by Eligible Institutional Investors (EII). The issuer has opened the account named “RAK CERAMICS EII ESCROW ACCOUNT” in Dutch-Bangla Bank Limited. The account no is 0117110000012823
10. The IPO subscription money collected from investors (other than non-resident Bangladeshis) by the Bankers to the Issue will be remitted to the “**RAK-IPO Collection Account (BDT)**” **Current A/C No. G010000200262077 of Citibank N.A. Bangladesh** for this purpose and subsequently it will be in “**RAK-IPO Central Account (BDT)**” **SND A/C No. G010001200262022 of Citibank N.A. Bangladesh**
11. The subscription money collected from Non-Resident Bangladeshis in US Dollars or Great Britain Pounds or Euro Dollars shall be deposited to three FC accounts opened by the Company for IPO purpose as follows:

Sl.	Name of the FC Accounts	Currency	Account No.	Bank
1.	RAK-IPO NRB Subscription Account (USD)	US Dollar	G010000200262042	Citibank N.A. Bangladesh
2.	RAK-IPO NRB Subscription Account (GBP)	GB Pound	G010000200262034	Citibank N.A. Bangladesh
3.	RAK-IPO NRB Subscription Account (EUR)	Euro	G010000200262026	Citibank N.A. Bangladesh

The subscription money collected from Non-Resident Bangladeshis in Taka shall be deposited in the following current account opened by the company for IPO purpose

Sl.	Name of the Accounts	Currency	Account No.	Bank
1.	RAK-IPO NRB Subscription Account (BDT)	BDT	G010000200262069	Citibank N.A. Bangladesh

12. In the case of over-subscription of securities to the NRB applicants, refund shall be made by RAK Ceramics (Bangladesh) Limited out of the “FC Account for IPO NRB Subscription”. RAK Ceramics (Bangladesh) Limited has already opened the aforesaid FC Accounts & Current Account and shall close these accounts after refund of over-subscription, if any.



## Trend Setters

13. Applications not in conformity with the above requirements and the instructions printed on the applicant form are liable to be rejected.

## Trading and settlement

Trading and settlement regulation of the stock exchanges shall apply in respect of trading and settlement of the shares of the Company

***The issue shall be placed in Category “N” with DSE and CSE***

## Bankers to the issue

### Investment Corporation of Bangladesh

Head Office, Dhaka	Chittagong Br. Chittagong	Khulna Br. Khulna	Sylhet Br. Sylhet
Local Office, Dhaka	Rajshahi Br. Rajshahi	Barisal Br. Barisal	Bogra Br. Bogra

### Uttara Bank Limited

Corporate Br. Dhaka	Narayanganj Br. N'ganj	Sir Iqbal Road Br. Khulna	Kustia Br. Kustia
Local Office Br. Dhaka	Sylhet Br. Sylhet	Bogra Br. Bogra	Tangail Br. Tangai
Gulshan Br. Dhaka	Agrabad Br. Chittagong	Rangpur Br. Rangpur	Pabna Br. Pabna
Kawran Bazatr Br. Dhaka	Comilla Br. Comilla	Dinajpur Br. Dinajpur	Cox's Bazar BrCox's Bazar
Sat Masjid Road Br.Dhaka	Mymensing Br. Mymensing	Barisal Br. Barisal	Faridpur Br. Faridpur
Pallabi Br. Dhaka	Jessore Br. Jessore	Shaheb Bazar	Br. Rajshahi

### Dhaka Bank Limited

Local Office, Dhaka	Islampur Br. Dhaka	Aminbazar Br. Dhaka	Agrabad Br. Chittagong
Uttara Br. Dhaka	Foreign Ex. Br. Dhaka	Islami Banking Br. Dhaka	Jubilee Road Br.Chittagong
Bangshal Br. Dhaka	Dhanmondi Br. Dhaka	Narayanganj Br. N'ganj	Khatunganj Br. Chittagong
Imamgonj Br.Dhaka	Karwanbazar Br. Dhaka	Laldighirpar Br. Sylhet	Cox's Bazar BrCox's Bazar

### Standard Chartered Bank

Motijheel Br. Dhaka	Nasirabad Br. Chittagong	Khulna Br. Khulna	Sylhet Br. Sylhet
Mirpur Br. Dhaka	Agrabad Br. Chittagong B	Bogra Br. Bogra	

### HSBC

Motijheel Br. Dhaka

### Trust Bank Limited

Principal Br. Dhaka	Mirpur Br.Dhaka	Narayanganj Br. N'Ganj	Naval Base Br. Chittagong
SKB Br. Dhaka	Uttara Corp. Br. Dhaka	CDA Avenue Br.Chittagong	Sylhet Corp. Br. Sylhet
Dhanmondi Br. Dhaka	Millenium Corp. Br. Dhaka	Agrabad Br. Chittagong	Uposhahar Br. Sylhet
Gulshan Corp. Br. Dhaka	Karwan Bazar Br.Dhaka	Jubilee Road Br.Chittagong	Khulna Br. Khulna
Dilkusha Corp. Br. Dhaka	Kafrul Br. Dhaka	Khatunganj Br. Chittagong	Feni Br. Feni

**Citibank N.A.**

Motijheel Br. Dhaka	Dhanmondi Br. Dhaka	Gulshan Br. Dhaka	Utara Br. Dhaka
Agrabad Br. Chittagong			

**National Bank Limited**

Dilkusha Br. Dhaka	Mohakhali Br. Dhaka	Gazipur Br. Gazipur	Anderkilla Br. Chittagong
Bangshal Road Br. Dhaka	Malibagh Br. Dhaka	Tangail Br. Tangail	Chowmuhani Br. Noakhali
Babubazar Br. Dhaka	Mirpur Br. Dhaka	Narayanganj Br. N'ganj	Faridpur Br. Faridpur
Elephant Road Br. Dhaka	ZHSikdar College Br. Dhaka	Paglabazar Br. N'ganj	Sylhet Br. Sylhet
Foreign Ex. Br. Dhaka	Islampur Br. Dhaka	Narsingdi Br. Narsingdi	Feni Br. Feni
Gulshan Br. Dhaka	Uttara Br. Dhaka	Comilla Br. Comilla	Khulna Br. Khulna
Imamganj Br. Dhaka	North Brook Hall Br. Dhaka	Agrabad Br. Chittagong	Rangpur Br. Rangpur
Dhanmondi Br. Dhaka	Lake Circus Br. Dhaka	Khatunganj Br. Chittagong	Bogra Br. Bogra
Kawran Bazar Br. Dhaka	Mohammadpur Br. Dhaka	Jubilee Road Br. Chittagong	Rajshahi Br. Rajshahi
Motijheel Br. Dhaka	Pragati Sarani Br. Dhaka	Chawkbazar Br. Chittagong	Barisal Br. Barisal
Banani Br. Dhaka	Jatrabari Br. Dhaka	Pahartali Br. Chittagong	
New Eskaton Br. Dhaka	Savar Bazar Br. Dhaka	Sk Mujib Rd. Br. Chittagong	

**Southeast Bank**

Principal Br. Dhaka	Motijheel Br. Dhaka	Jubilee Road Br. Chittagong	Laldighirpar Br. Sylhet
Corporate Br. Dhaka	Gulshan Br. Dhaka	Halishahar Br. Chittagong	Chouhatta Br. Sylhet
Dhanmondi Br. Dhaka	Kakrail Br. Dhaka	Agrabad Br. Chittagong	Pathantula Br. Sylhet
Uttara Br. Dhaka	Bangshal Br. Dhaka	Pahartali Br. Chittagong	

**Dutch-Bangla Bank Ltd**

Local Office, Dhaka	Savar Bazar Br. Dhaka	Sylhet Br. Sylhet	Pabna Br. Pabna
Foreign Ex. Br. Dhaka	Bashundhara Br. Dhaka	Biswanath Br. Sylhet	Rajshahi Br. Rajshahi
Nababpur Br. Dhaka	Ring Road Br. Dhaka	Golapgonj Br. Sylhet	Mymensing Br. Mymensing
Banani Br. Dhaka	Bandura Br. Dhaka	Goala Bazar Br. Sylhet	Chhatak Br. Sunamganj
Kawran Bazar Br. Dhaka	Mirpur Circle 10 Br. Dhaka	Beani Bazar Br. Sylhet	Shajadpur Br. Sirajganj
Shantinagr Br. Dhaka	Satmosjid Road Br. Dhaka	Moulavi Bazar Br. M'Bazar	Feni Br. Feni
Dhanmondi Br. Dhaka	Agrabad Br. Chittagong	Sremangal Br. M'Bazar	Choumuhani Br. Feni
Mohakhali Br. Dhaka	Patherhat Br. Chittagong	Board Bazar Br. Gazipur	Sonagazi Br. Feni
Gulshan Br. Dhaka	Hathazari Br. Chittagong	Chowrasta Br. Gazipur	Basurhat Br. Noakhali
Mirpur Br. Dhaka	CDA Avenue Br. Chittagong	Konabary Br. Gazipur	Narayanganj Br. N'Ganj
Uttara Br. Dhaka	Muradpur Br. Chittagong	Khulna Br. Khulna	B.B. Road Br. Narayanganj
Islampur Br. Dhaka	Jubilee Rd Br. Chittagong	Barisal Br. Barisal	Netaiganj Br. Narayanganj
Dania Br. Dhaka	Kadamtali Br. Chittagong	Bogra Br. Bogra	Simrail Br. Narayanganj
Dhaka EPZ Br. Dhaka	Lohagara Br. Chittagong	Manikgonj Br. Manikgonj	Narsingdi Br. Narsingdi
Elephant Road Br. Dhaka	Fatikchari Br. Chittagong	Rangpur Br. Rangpur	Baburhat Br. Narsindi
Joypara Br. Dhaka	Khatunganj Br. Chittagong	Jessore Br. Jessore	Mirzapur Br. Tangail
Naya Bazar Br. Dhaka	Halishahar Br. Chittagong	Saidpur Br. Nilphamary	Comilla Br. Comilla
Imamgonj Br. Dhaka	Cox's Bazar Br. Cox's Bazar	Kushtia Br. Kushtia	

## Trend Setters

### Bank Asia Limited

Principal office Br. Dhaka	Mitford Br. Dhaka	Sylhet Main Br. Sylhet	Anderkilla Br. Chittagong
MCB Dilkusha Br. Dhaka	North South Rd Br. Dhaka	Uposahar Br. Sylhet	Bogra Br. Bogra
Corporate Br. Dhaka	Dhanmondi Br. Dhaka	Agrabad Br. Chittagong	Jessore Br. Jessore
Scotia Br. Dhaka	Bashundhara Br. Dhaka	Khatunganj Br. Chittagong	Rajshahi Br. Rajshahi
Gulshan Br. Dhaka	Mohakhali Br. Dhaka	SK Mujib Rd Br Chittagong	Khulna Br. Khulna
MCB Banani Br. Dhaka	Mirpur Br. Dhaka	CDA Avenue Br.Chittagong	
Uttara Br. Dhaka	Shantinagar Br. Dhaka	Station Rd Br. Chittagong	

## Section - XII

# Material Contracts & Others

### Material Contract

- a) Underwriting Agreements between the Company and the Underwriters.
- b) Issue Management Agreement between the Company and IDLC Finance Limited and BRAC EPL Investments Limited.
- c) Registrar to the Issue Agreement with the Company and Satcom It Limited.
- d) Contract between the company and the Central Depository Bangladesh Limited (CDBL).

The copies of the aforementioned contracts and documents and a copy of Memorandum of Association and Articles of Association of the Company and the Consent Letter from SEC may be inspected, on any working day, during office hours, at the Registered Office of the Company and the Issue Managers.

### Managers to the issue

**IDLC Finance Limited**, Bay's Galleria (1st Floor), 57 Gulshan Avenue, Dhaka 1212 and **BRAC EPL Investments Limited**, WW Tower (Level 9), 68 Motijheel C/A, Dhaka 1000, is acting as the **Lead Issue Manager** and **Joint Issue Manager** respectively.

The Issue Management fee for the Lead and the Joint Issue Manager shall be 1% of the total amount raised through issuance of primary capital by the Issuer through public issue under book building method.

### Registrar to the issue

**Prime Finance & Investment Limited**, 63 Dilkusha C/A (3rd floor), Dhaka 1000, is acting as Registrar to the Issue for the IPO of RAK Ceramics (Bangladesh) Limited.

### Commission to the Bankers to the issue

Commission at the rate of 0.10% of the amount collected will be paid to the Bankers to the Issue for the services to be rendered by them.

## Section-XIII

### Corporate Directory

<b>Registered and Corporate Office</b>	<b>RAK Ceramics (Bangladesh) Limited</b> RAK Tower (7th, 8th & 9th Floor) Plot No. 1/A, Jasimuddin Avenue, Sector 3 Uttara Model Town, Dhaka 1230, Bangladesh Tel:+88(02) 8917393, 8912303 Fax:+88(02) 8917096
<b>Joint Auditors</b>	<b>K. M. Hasan &amp; Co</b> Chartered Accountants Home Town Apartment (8th & 9th Floors) 87, New Eskaton Road, Dhaka 1000 <b>S. F. Ahmed &amp; Co</b> Chartered Accountants (A technical assistant firm of Earnst & Young International, Inc. of New York, USA in Bangladesh) House 25, Road 13A, Block D, Banani, Dhaka 1213
<b>Legal Advisor to the Issue</b>	<b>Barrister Rafique-ul Huq</b> Barrister-at-Law Huq and Company 47/1 Purana Paltan, Dhaka 1000
<b>Manager to the Issue</b>	
Lead Issue Manager	<b>IDLC Finance Limited</b> Bay's Galleria(1st Floor), 57, Gulshan Avenue, Dhaka 1212
Joint Issue Manager	<b>BRAC EPL Investments Limited</b> WW Tower (Level 9), 68, Motijheel C/A, Dhaka 1000
<b>Registrar to the Issue</b>	<b>Prime Finance &amp; Investment Limited</b> 63 Dilkusha C/A (3rd floor), Dhaka 1000
<b>Company's Compliance Officer</b>	<b>Mr. Muhammad Shahidul Islam, ACS</b> Assistant Company Secretary

All investors are hereby informed that Mr. Muhammad Shahidul Islam, ACS, Assistant Company Secretary would be designated as Compliance Officer who will monitor the compliance of the acts, rules, regulations, notifications, guidelines, conditions, orders/directions etc. issued by the Commission and/or stock exchange(s) applicable to the conduct of the business activities of the Company so as to promote the interest of the investors in the security issued by the Company, and for redressing investors' grievances.

## Section - XIV

### Auditors Report & related certificates

#### Auditor's report to the Shareholders of RAK Ceramics Bangladesh Limited

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Ltd (the Company) namely, Balance Sheet at 30 June 2009 and the related Income Statement, Cash Flow Statement and notes thereto for the period from 01 January 2009 to 30 June 2009.

#### Respective responsibilities of management and auditors

The preparation of these financial statements is the responsibility of the management of the Company in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards. Our responsibility is to express an independent opinion on these financial statements based on our audit.

#### Basis of our audit opinion

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain a reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, the financial statements prepared in accordance with the generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/ Bangladesh Financial Reporting Standards give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the results of its operations and its cash flows for the period then ended and comply with the requirements of Companies Act 1994 and other applicable laws and regulations.

We further report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c. the Balance Sheet and Income Statement dealt with by this report are in agreement with the books of account.
- d. the expenditure incurred and payments made were for the purpose of the Company's business for the period.

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Sd/-  
S. F. AHMED & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 07 July 2009

## RAK Ceramics (Bangladesh) Ltd

Balance Sheet at 30 June 2009

Particulars	Notes	Amounts in Taka	
		As at 30 June 2009	As at 31 Dec 2008
<b>ASSETS</b>			
Non-Current Assets			
Property, plant and equipment	3	2,144,948,593	1,973,536,228
Intangible Assets	4	12,210,064	13,494,603
Capital work-in-progress	5	18,992,223	19,352,143
Investment in subsidiary companies	6	362,656,412	280,656,412
Investment in associate company	7	1,050,000	1,050,000
Non-current receivables	8	19,809,271	68,645,271
Total Non-Current Assets		2,559,666,563	2,356,734,657
Current Assets			
Inventories	9	1,392,864,496	1,515,813,255
Trade and other receivables	10	259,686,532	273,721,751
Advance corporate income tax	11	314,718,814	299,640,401
Cash and bank balances	12	40,360,911	27,404,078
Total Current Assets		2,007,630,753	2,116,579,485
Total Assets		4,567,297,316	4,473,314,142
<b>EQUITY AND LIABILITIES</b>			
Capital and Reserves			
Share capital	13	1,296,800,000	648,400,000
Share money deposits	14	558,835,000	508,122,547
Retained earnings		486,625,056	995,310,065
		2,342,260,056	2,151,832,612
Non-Current Liabilities			
Borrowings	15	315,000,000	420,000,000
Provision for employee benefits	16	6,839,287	7,809,980
Total Non-Current Liabilities		321,839,287	427,809,980
Current Liabilities			
Trade and other payables	17	315,929,136	418,877,748
Borrowings - current portion	15	905,453,209	928,250,195
Provision for expenses	18	26,147,924	27,444,358
Provision for corporate income tax	19	346,167,616	324,220,096
Provision for royalty and technical know-how fee		309,500,088	194,879,153
Total Current Liabilities		1,903,197,973	1,893,671,550
Total Equity and Liabilities		4,567,297,316	4,473,314,142

See annexed notes

for RAK Ceramics (Bangladesh) Ltd

Sd/-  
Director

Sd/-  
Managing Director

Signed in terms of our report of even date annexed

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Sd/-  
S. F. AHMED & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 07 July 2009

**RAK Ceramics (Bangladesh) Ltd**

Income Statement for the period from 01 January 2009 to 30 June 2009

Particulars	Notes	Amounts in Taka	
		Period ended 30 June 2009	Period ended 30 June 2008
Sales	20	1,910,348,882	1,517,402,465
<u>Less:</u> Cost of Goods Sold	21	1,371,177,730	1,044,201,573
Gross Profit		539,171,152	473,200,892
<u>Less:</u> Operating Expenses			
Administrative expenses	22	33,951,820	38,089,194
Marketing and selling expenses	23	201,079,915	170,454,612
		235,031,735	208,543,806
Operating Profit		304,139,417	264,657,086
Financial expenses	24	76,943,200	70,283,164
		227,196,217	194,373,922
Other income	25	732,694	646,840
Net Profit before Tax		227,928,911	195,020,762
Provision for taxation		85,473,341	58,693,725
Net Profit after Tax		142,455,570	136,327,037
See annexed notes			
Earnings per share (EPS) for the period		10.99	21.03
Earning per share (EPS) annualised		21.97	44.00

for RAK Ceramics (Bangladesh) Ltd

Sd/-  
Director

Sd/-  
Managing Director

Signed in terms of our report of even date annexed

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Sd/-  
S. F. AHMED & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 07 July 2009



### RAK Ceramics (Bangladesh) Ltd

Cash Flow Statement for the period from 01 January 2009 to 30 June 2009

Particulars	Amounts in Taka	
	Period ended 30 June 2009	Period ended 30 June 2008
Cash Flows from Operating Activities		
Cash received from customers	1,925,013,134	1,546,429,473
Cash paid to suppliers and employees	(1,364,676,488)	(1,201,269,105)
Payments for corporate income tax		
Current period	(15,078,413)	(31,400,970)
Previous periods	(66,266,400)	-
Net cash from operating activities	478,991,833	313,759,398
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(303,839,712)	(30,086,949)
Sale of fixed assets	555,000	-
Decrease in intangible assets	1,284,539	-
(Increase)/Decrease in capital work-in-progress	359,920	(46,480,919)
(Increase)/Decrease in non-current receivables	48,836,000	(2,617,037)
Investment in subsidiary company	(82,000,000)	(58,000,000)
Net cash used in investing activities	(334,804,253)	(137,184,905)
Cash Flows from Financing Activities		
Finance charges	(76,943,200)	(70,283,164)
Repayment of term loan	(105,000,000)	(187,680,000)
Share money deposit	50,712,453	5,575,618
Net cash used in financing activities	(131,230,747)	(252,387,546)
Net Increase in Cash	12,956,833	(75,813,053)
Opening cash and bank balances	27,404,078	27,834,240
Closing cash and bank balances	40,360,911	(47,978,813)

for RAK Ceramics (Bangladesh) Ltd

Sd/-  
Director

Sd/-  
Managing Director

Signed in terms of our report of even date annexed

Sd/-  
K. M. HASAN & CO

Sd/-  
S. F. AHMED & CO

Chartered Accountants

Chartered Accountants

Dhaka, Bangladesh  
Dated, 07 July 2009

**RAK Ceramics (Bangladesh) Ltd**
**Statement of Changes in Equity for the period from 01 January 2009 to 30 June 2009**

Amounts in Taka

Particulars	Share capital	Share money deposit	Retained earnings	Total
Balance at 01 January 2009	648,400,000	508,122,547	995,310,065	2,151,832,612
Addition during the period	648,400,000	50,712,453	-	699,112,453
Net profit after tax	-	-	142,455,570	142,455,570
Issue of bonus shares	-	-	(648,400,000)	(648,400,000)
Adjustment relating to prior periods	-	-	(2,740,579)	(2,740,579)
Balance at 30 June 2009	1,296,800,000	558,835,000	486,625,056	2,342,260,056
Balance at 01 January 2008	648,400,000	502,546,929	654,668,292	1,805,615,221
Addition during the period	-	5,575,618	-	5,575,618
Net profit after tax	-	-	136,327,037	136,327,037
Balance at 30 June 2008	648,400,000	508,122,547	790,995,329	1,947,517,876

for RAK Ceramics (Bangladesh) Ltd

 Sd/-  
Director

Sd/-

Managing Director

Signed in terms of our report of even date annexed

Trend Setters

 K. M. HASAN & CO  
Chartered Accountants

 S. F. AHMED & CO  
Chartered Accountants

 Dhaka, Bangladesh  
Dated, 07 July 2009

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### General

#### 1 Legal Status and Principal Activity

RAK Ceramics (Bangladesh) Pvt. Limited (the Company), a UAE-Bangladesh joint venture company, was incorporated in Bangladesh on 26 November 1998 as a private company limited by shares under the Companies Act 1994. The Company was converted from a private limited into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to R A K Ceramics (Bangladesh) Ltd as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The Company is engaged in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 01 July 2004 and 01 September 2007 respectively.

#### 2 Significant Accounting Policies

These financial statements have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the Company, adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards. Disclosures of information made in these financial statements are in accordance with the requirements of Companies Act 1994. The financial statements have been prepared in accordance with BAS -1/IAS -1 (presentation of financial statements) based on accrual basis following going concern concept.

These condensed financial statements are prepared in accordance with International Accounting Standard-34 (interim financial reporting) where it is not necessary to disclose full information for a complete set of financial statements as required under IAS -1 (presentation of financial statements).

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2008.

In the preparation of these interim financial statements, management requires information to make judgements, estimate and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimate. Moreover significant judgement made by the management in applying the Company's accounting policies and the key source of information of estimates were the same for the preparation of these interim financial statements as those were applied for the preparation of financial statements as at and for the year ended 31 December 2008.

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.1 Investments

Investments in subsidiary and associate companies are recorded at cost.

### 2.2 Property, plant and equipment

Property, plant and equipment are stated in attached Balance Sheet at cost less accumulated depreciation in accordance with BAS-16/IFRS-8. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalized by adding it to the related property, plant and equipment.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are eliminated up to the date of disposal and any gain or loss therefrom are reported in the income statement of that year.

### 2.3 Depreciation on fixed assets

Depreciation on fixed assets is charged on reducing balance method. Depreciation continues to be charged on each item of fixed assets until the written down value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged from the month following their acquisition and charging of depreciation on fixed assets ceases from the month on which the deletion thereof takes place.

Rates of depreciation on various classes of fixed assets are as under:

Category of fixed asset	Rate (%)
Factory building	10
General building	10
Head Office building	10
Plant and machinery	15
Mobile plant	15
Electrical installation	10
Gas pipeline	15
Furniture, fixtures and fittings	10
Office equipment	10
Communication equipment	10
Tools and appliances	15
Vehicles	10

Land is not depreciated as it deemed to have an infinite life.

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.4 Capital work-in-progress

Capital work-in-progress is recorded at cost on the basis of the percentage of work completed at the balance sheet date. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

### 2.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware is capitalized. This is being amortized equally within a period of two to three years depending upon the tenure of accrual of benefits.

### 2.6 Accounts receivable

Accounts receivable has been stated at its original invoiced amount after deducting credit balances that have a legally enforceable right to set off or are intended either to be settled.

### 2.7 Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 21 and 25 of BAS-2/IFRS-6 (inventories).

#### Finished products

Finished products are stated at lower of cost and net realizable value. Cost comprises cost of raw materials, wages and other direct cost those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realizable value is arrived at after deducting cost to sell from selling prices of various items.

#### Work-in-process

Work-in-process is stated at cost of completion of respective product. Cost comprises cost of raw materials, wages and other overheads upto the stage of completion.

#### Raw materials and consumable spare parts

Raw materials and consumable spare parts are stated at weighted average cost.

Inventories are tested for obsolesces and impairment at end of the year. Corresponding provisions are made in the books of account.

### 2.8 Employee retirement benefits

Employee retirement benefits namely, gratuity, provident fund, leave encashment, etc are accounted for on accrual basis of accounting.

### 2.9 Revenue recognition

Revenue is measured at a fair value of the consideration received or receivable. Revenue from sale of goods is recognized when the Company has transferred the significant risk and rewards of ownership of goods to the buyer and revenue and costs incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS -18/IFRS-7 (revenue).

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.10 Borrowing cost

In compliance with the requirement of BAS-23 (borrowing cost), borrowing cost relating to operational period on long term loans, short term loans and overdraft facilities was charged to revenue account as an expense as incurred.

### 2.11 Taxation

Provision for corporate income tax is made @ 37.5% on estimated taxable profit in accordance with income tax laws. The corporate income tax assessment of the Company is completed upto assessment year 2007-08. Corporate income tax return for assessment year 2008-2009 was filed under section 82 BB (1) of Income Tax Ordinance 1984.

### 2.12 Creditors and accruals

Liabilities are recorded at the level of estimated amount payable in settlement.

### 2.13 Foreign currency translation

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the transaction date in accordance with BAS-21/IFRS-22 (effects of changes in foreign exchange rates). Exchange difference at the balance sheet date are charged / credited to income statement.

### 2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

### 2.15 Term loan from HSBC

This loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor	: 5 years including 12 months moratorium from the date of drawdown of principal repayment
Repayment	: Amount outstanding will be repaid in 16 equal quarterly installments

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.16 Term loan from Standard Chartered Bank

The loan has been availed for financing capital machinery imported through that bank. Loan covenants, inter alia, cover the following:

Maximum tenor : 5 years including 12 months moratorium from the date of drawdown of principal repayment

Repayment : Amount outstanding will be repaid in 16 equal quarterly installments

### 2.17 Provisions for royalty

Royalty has been calculated @ 6% of net sales in pursuance to technical know-how and technical assistance agreement dated 09 May 1999. The provisions are being made at the applicable laws then existing for establishment of ceramic tiles plant through joint venture project in Bangladesh.

### 2.18 Transaction in foreign currency

Particulars	Amount/Taka
CIF value of import:	
Raw materials	518,487,885
Spare parts	102,865,087
Capital machinery	133,761,891
Consultancy fee	24,359,642
Interest	1,502,594
FOB value of exports	5,980,646

### 2.19 Trade debtors include

Particulars	Amount/Taka
Debts outstanding for a period exceeding six months	10,673,827
Other debts	102,134,493
Total	112,808,320

### 2.20 Amount paid to auditors include

Particulars	Amount/Taka
Audit fee- K. M. Hasan & Co	100,000
Management services- K. M. Hasan & Co	196,347
Total	296,347

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.21 Contingent liabilities and commitments

Particulars	Amount/Taka
Letters of guarantee	27,179,735
Letters of credit/LCA	290,580,050
VAT demand pending assessment	17,145,112
Income Tax	23,957,586
<b>Total</b>	<b>358,862,483</b>

### 2.22 Related party disclosure under IAS-24

- a) List of related parties with whom transactions have taken place and their relationship as identified and certified by management:

Name of related party	Nature of business	% of holding	Country of incorporation	Amount/Taka
RAK Pharmaceuticals Pvt. Ltd	Pharmaceuticals business	55	Bangladesh	246,050,012
RAK Power Pvt. Ltd	Electricity generation	57	Bangladesh	116,605,700
				362,655,712
RAK Security & Services Pvt. Ltd	Security service provider	35	Bangladesh	1,050,000

- b) Transaction with related parties:

Nature of transaction	Amount/Taka
Purchase of goods/services	99,121,253
Sale of goods/services	45,509
Outstanding receivables	16,533,555
Outstanding payable	1,695,728



## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.23 Post balance sheet events

An application was filed with Securities and Exchange Commission, the regulatory authority of capital market, for conversion of share money deposit into paid up capital. If approved, the capital structure of Company would be as follows:

Name of shareholder	No. of shares	Face value of share/ Taka	Total value/ Taka
RAK Ceramics PSC, UAE	16,700,705	100	1,670,070,500
S.A.K. Ekramuzzaman	1,855,635	100	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	2	100	200
Sheikh Omer Bin Saqr Al Qassimi	2	100	200
Sheikh Ahmad Bin Humaid al Qassimi	2	100	200
Hamad Abdulla Al Muttawa	2	100	200
Dr. Khater Massaad	2	100	200
Total	18,556,350		1,855,635,000

### 2.24 Payment to Directors

During the period under reporting, no amount was paid by the Company for compensating any member of the board including the Managing Director for rendering services.

### 2.25 Quantitative details of opening stock, purchases/ production, consumption/ sales and closing stock of raw materials and finished goods:

Item	Unit	Opening stock	Purchases/ production	Consumption/ sales	Closing stock
		Qty	Qty	Qty	Qty
Raw materials:	Kg				
Current period		156,823,043	87,782,712	80,488,135	164,117,620
For the year 2008		104,486,748	198,085,332	145,749,037	156,823,043
Finished goods:					
Tiles					
Ceramics/ granite	Sft				
Current period		6,602,129	38,783,716	41,913,911	3,471,934
For the year 2008		4,030,427	73,068,125	70,496,423	6,602,129
Sanitary ware:					
Sanitary items	Pcs				
Current period		84,248	440,382	456,159	68,471
For the year 2008		85,266	779,797	780,815	84,248

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### 2.26 Capacity utilisation

Production	Unit	Installed Capacity		Utilisation During the Period	% of Utilisation	Over/(Under) Utilization
		Annual	For the period			
Tiles	Sft	86,402,800	43,201,400	38,783,716	90%	(4,417,684)
Sanitary ware	Pcs	900,000	450,000	440,382	98%	(9,618)

### 2.27 Number of employees

The number of employees engaged for the period who received a total remuneration of Taka 36,000 and above was 898. None receiving below Taka 3,000 per month.

### 2.28 Earnings per share

	Period ended 30 June 2009	Period ended 30 June 2008
Calculation of earning per share (EPS) is as under:		
Net profit after tax	142,455,570	136,327,037
Number of ordinary shares	12,968,000	6,484,000
EPS for the period	10.99	21.03
EPS Annualised	21.97	44.00

### 2.29 Others

2.29.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

2.29.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

2.29.3 Previous period's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current period's presentation.

### RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

#### 3 Property, Plant and Equipment

Particulars	C O S T				DEPRECIATION					Net book value at 30 June 2009
	Balance at 01 Jan 2009	Additions	Sale/disposal	Total at 30 June 2009	Rate	To 01 Jan 2009	Charge for the period	Adjustment	Total to 30 June 2009	
Land	117,606,812	42,935,000	-	160,541,812	-	137,770,885	-	-	-	160,541,812
Factory building	387,563,430	8,118,660	-	395,682,090	10%	13,770,885	12,616,083	-	150,386,968	245,295,122
Factory office building	48,505,031	-	-	48,505,031	10%	24,192,011	1,205,659	-	25,397,671	23,107,360
Head office building	85,364,924	14,647,517	-	100,012,441	10%	15,056,681	3,622,961	-	18,679,642	81,332,800
Plant and machinery	2,326,581,586	233,440,962	-	2,560,022,548	15%	1,014,512,943	103,372,383	-	1,117,885,327	1,442,137,221
Mobile plant	54,608,422	-	-	54,608,422	15%	21,029,730	2,497,703	-	23,527,432	31,080,989
Electrical installation	146,644,911	-	-	146,644,911	10%	37,869,026	5,394,092	-	43,263,118	103,381,793
Gas pipeline	26,805,641	-	-	26,805,641	15%	15,943,662	806,862	-	16,750,524	10,055,117
Furniture and fixtures	19,696,702	467,240	-	20,163,942	10%	4,257,971	769,852	-	5,027,823	15,136,119
Office equipment	12,982,062	300,480	-	13,282,542	10%	3,492,460	477,414	-	3,969,874	9,312,667
Communication equipment	1,741,112	-	-	1,741,112	10%	730,836	50,099	-	780,935	960,177
Tools and appliances	4,662,502	1,693,157	-	6,355,659	15%	1,257,741	311,953	-	1,569,694	4,785,965
Vehicles	24,013,254	2,236,696	780,400	25,469,551	10%	7,126,213	850,949	329,061	7,648,101	17,821,450
Total at 30 June 2009	3,256,776,389	303,839,712	780,400	3,559,835,701		1,283,240,159	131,976,010	329,061	1,414,887,108	2,144,948,593
Total at 31 December 2008	3,144,932,941	113,846,485	2,003,039	3,256,776,387		985,339,872	299,274,392	1,374,105	1,283,240,159	1,973,536,228

Allocation of depreciation to:

Administrative overhead	6,976,934
Manufacturing overhead	124,999,077
	<u>131,976,010</u>

Statement of disposal of fixed assets for the period up to 30 June 2009:

Particulars	Year of purchase	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/Loss	Amount in Taka	
							Mode of disposal	Tender
White Microbus (54-0932)	2003	780,400	329,061	451,339	555,000	103,661	Tender	

**RAK Ceramics (Bangladesh) Ltd**

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

		<b>Amounts in Taka</b>	
		<b>As at 30 June 2009</b>	<b>As at 31 Dec 2008</b>
<b>4</b>	<b>Intangible Assets</b>		
	Opening balance	13,494,603	-
	Add: Additions during the period	-	13,494,603
		13,494,603	13,494,603
	Less: Amortization	1,284,539	-
	Closing balance	12,210,064	13,494,603
<p>The above amount represents cost of various licenses, sales promotion expenses, etc which are being amortised over 2-3 years from the date of their expenses.</p>			
<b>5</b>	<b>Capital Work-in-Progress</b>		
	Heavy equipment and machinery	1,349,069	15,183,888
	Building	17,643,154	4,168,255
		18,992,223	19,352,143
<b>6</b>	<b>Investment in Subsidiary Companies</b>		
	R A K Pharmaceuticals Pvt. Ltd	246,050,712	164,050,712
	R A K Power Pvt. Ltd	116,605,700	116,605,700
		362,656,412	280,656,412
<b>7</b>	<b>Investment in Associate</b>		
	R A K Security & Services Pvt. Ltd	1,050,000	1,050,000
		1,050,000	1,050,000
<b>8</b>	<b>Non-Current Receivables</b>		
	Deposits	17,041,018	17,184,556
	Others (note 8.1)	2,768,253	51,460,715
		19,809,271	68,645,271
<b>8.1</b>	<b>Others</b>		
	Deposited with customs & VAT against supplementary duty	657,660	657,660
	VAT paid against disputed demand	803,055	803,055
	Additional VAT and supplementary duty for earlier years	-	50,000,000
	Share issue expenses	1,307,538	-
		2,768,253	51,460,715
<b>9</b>	<b>Inventories</b>		
	Raw materials	654,750,241	660,990,140
	Stores and consumables spares	534,886,863	533,588,500
	Finished goods	140,996,753	281,680,571
	Work-in-process	36,558,666	22,100,784
	Goods-in-transit	25,671,973	17,453,260
		1,392,864,496	1,515,813,255

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

	Amounts in Taka	
	As at 30 June 2009	As at 31 Dec 2008
<b>10 Trade and Other Receivables</b>		
Trade receivable	112,808,320	163,725,708
Advance to suppliers	30,848,741	28,544,806
Prepaid expenses	93,468,158	29,244,261
Other advances (note 10.1)	22,561,313	52,206,976
	<u>259,686,532</u>	<u>273,721,751</u>
<b>10.1 Other advances</b>		
Taxes and duties (VAT & SD current account balances)	15,384,294	32,740,251
Employee advance and imprest account	3,020,440	16,339,058
Current account with RAK Ceramics PSC, UAE	217,000	1,055,000
Claim receivable	3,939,579	2,072,667
	<u>22,561,313</u>	<u>52,206,976</u>
<b>11 Advance Corporate Income Tax</b>		
Import	131,348,618	116,499,261
Export	341,444	280,501
Supply	105,281	-
Interest on bank deposit	2,923,471	2,860,639
Advance income tax - paid in cash	180,000,000	180,000,000
	<u>314,718,814</u>	<u>299,640,401</u>
<b>12 Cash and Bank Balances</b>		
Cash in hand	2,288,671	3,414,215
Bank balances in		
Current accounts	29,367,225	4,410
Short term deposit account	1,266,334	7,949,794
Export retention account	3,860,899	5,089,674
Margin money deposit account	-	10,945,985
Fixed deposit	3,577,782	-
	<u>40,360,911</u>	<u>27,404,078</u>
<b>13 Share Capital</b>		
Authorised Capital		
30,000,000 ordinary shares of Taka 100 each	3,000,000,000	3,000,000,000
Issued, subscribed, called and paid up capital		
12,968,000 ordinary shares of Taka 100 each	<u>1,296,800,000</u>	<u>648,400,000</u>

**RAK Ceramics (Bangladesh) Ltd**

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

**Amounts in Taka**

As at 30 June 2009	As at 31 Dec 2008
-----------------------	----------------------

**Particulars of shareholdings are as follows**

Name of shareholder	No. of shares	Value per share/Taka		
R.A.K. Ceramics PSC, UAE	11,671,190	100	1,167,119,000	583,560,000
S.A.K. Ekramuzzaman	1,296,800	100	129,680,000	64,840,000
HH Sheikh Saud Bin Saqr Al Qassimi	2	100	200	-
Sheikh Omer Bin Saqr Al Qassimi	2	100	200	-
Sheikh Ahmad Bin Humaid al Qassimi	2	100	200	-
Hamad Abdulla Al Muttawa	2	100	200	-
Dr. Khater Massaad	2	100	200	-
	<u>12,968,000</u>		<u>1,296,800,000</u>	<u>648,400,000</u>

The company declared its first interim dividend (bonus share) @ 100% out of its accumulated profit to taka 648,400,000 for the year 2009. Accordingly share capital of the company has increased from taka 648,400,000 to taka 1,296,800,000 at the end of the period.

**14 Share Money Deposits**

R.A.K. Ceramics PSC, UAE	502,951,500	502,952,200
S.A.K. Ekramuzzaman	55,883,500	5,170,347
	<u>558,835,000</u>	<u>508,122,547</u>

**15 Borrowings**

Non-current:

Term loan	525,000,000	713,340,000
Current portion of term loan	(210,000,000)	(293,340,000)
	<u>315,000,000</u>	<u>420,000,000</u>

Current:

Bank overdrafts	-	63,618,482
Short term borrowings	695,453,209	571,291,713
Current portion of term loan	210,000,000	293,340,000
	<u>905,453,209</u>	<u>928,250,195</u>
	<u>1,220,453,209</u>	<u>1,348,250,195</u>

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### Amounts in Taka

As at 30 June 2009	As at 31 Dec 2008
-----------------------	----------------------

#### 15.1 Borrowings by maturity

At 30 June 2009	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	-	-	-	-	-
Short term loans	695,453,209	-	-	-	695,453,209
Term loans and others	210,000,000	210,000,000	105,000,000	-	525,000,000
	905,453,209	210,000,000	105,000,000	-	1,220,453,209

At 31 December 2008	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	63,618,482	-	-	-	63,618,482
Short term loan	571,291,713	-	-	-	571,291,713
Term loans and others	293,340,000	210,000,000	210,000,000	-	713,340,000
	928,250,195	210,000,000	210,000,000	-	1,348,250,195

#### 15.2 The carrying amount of borrowings denominated in foreign currency is as follows:

US Dollar loan from International Finance Corporation	-	1,200,000
	-	1,200,000

### Amounts in Taka

At 30 June 2009	At 31 Dec 2008
--------------------	-------------------

#### 16 Provision for Employees Benefits

Opening balance	7,809,980	2,294,804
Add: Charge for the period	10,718,970	15,545,024
Less: Payments made during the period	(11,689,663)	(11,180,856)
Transferred to the fund	-	1,151,008
Closing balance	6,839,287	7,809,980

This includes provision made for employer's contribution to provident fund, gratuity and leave encashment which is payable within the service life of each employee and/or after his/her retirement as per terms of employment of service.

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

	Amounts in Taka	
	As at 30 June 2009	As at 31 Dec 2008
<b>17 Trade and other Payables</b>		
Trade payables	303,700,019	407,174,979
Income tax and VAT deducted at source	12,229,117	11,702,769
	<b>315,929,136</b>	<b>418,877,748</b>
<b>18 Provision for Expenses</b>		
Power and gas	8,764,094	12,380,023
Staff cost	16,516,212	11,909,008
Audit fees	700,000	730,000
Interest on loans	-	2,113,327
Telephone	167,618	312,000
	<b>26,147,924</b>	<b>27,444,358</b>
<b>19 Provision for Corporate Income Tax</b>		
Year 2009	85,473,341	-
Year 2008	85,378,847	91,619,346
Year 2007	80,163,573	131,944,473
Year 2006	89,730,897	95,235,319
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	111,563	111,563
	<b>346,167,616</b>	<b>324,220,096</b>

## 20 Sales

	Period ended 30 June 2009				Period ended 30 June 2008
	Gross sales	SD	VAT	Net sales	Net sales
Local	2,313,072,300	106,998,980	301,705,083	1,904,368,237	1,467,904,285
Export	5,980,645	-	-	5,980,645	49,498,180
	<b>2,319,052,945</b>	<b>106,998,980</b>	<b>301,705,083</b>	<b>1,910,348,882</b>	<b>1,517,402,465</b>



## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

	Amounts in Taka	
	Period ended 30 June 2009	Period ended 30 June 2008
<b>21 Cost of Sales</b>		
Raw materials	641,655,907	635,349,018
Direct labour	62,389,997	49,350,312
Direct expenses:		
Power and gas	98,659,195	72,369,294
Repairs and indirect materials	176,579,672	157,887,786
Moulds and punches	16,762,303	16,654,480
Depreciation	124,999,076	133,733,867
Royalty and technical know-how/assistance fees	114,620,933	91,044,148
Other production overhead	9,284,711	8,452,401
Movement in stock	126,225,936	(120,639,733)
	<u>1,371,177,730</u>	<u>1,044,201,573</u>
<b>22 Administrative Expenses</b>		
Staff cost	15,038,802	14,218,858
Telephone, postage and supplies	1,131,176	1,762,904
Office repair and maintenance	2,899,029	4,809,023
Registration and renewal	324,274	109,358
Security and guard expenses	2,214,973	2,913,381
Depreciation	6,976,934	7,484,659
Amortization	466,166	-
Legal and professional fees	347,847	190,712
Vehicle repair and maintenance	2,755,348	3,367,999
Rent rate and tax	1,170,754	2,138,543
Others	626,517	1,093,757
	<u>33,951,820</u>	<u>38,089,194</u>
<b>23 Selling Expenses</b>		
Staff cost	3,963,401	3,620,942
Advertisement	1,425,678	4,875,878
Freight and transportation	49,596,611	38,311,757
Performance rebates	139,595,712	108,997,837
Business promotion	2,472,088	4,936,705
Amortization - Sales	818,373	-
Travel, entertainment and others	3,208,052	9,711,493
	<u>201,079,915</u>	<u>170,454,612</u>
<b>24 Financial Expenses</b>		
Interest expenses	80,296,470	67,909,544
Bank charges	798,025	639,024
Exchange rate difference	(4,151,295)	1,734,596
	<u>76,943,200</u>	<u>70,283,164</u>
<b>25 Other income</b>		
Interest income	629,033	646,840
Profit on sale of fixed assets	103,661	-
	<u>732,694</u>	<u>646,840</u>

for RAK Ceramics (Bangladesh) Ltd

Sd/-  
Director

Sd/-  
Managing Director

Dhaka, Bangladesh  
Dated, 07 July 2009

### Auditors' Report under Section 135(1), Para 24(1) of Part – II of Schedule III to Companies Act 1994

As required under section 135 (1), Para 24(1), Part – II of Schedule III to Companies Act 1994, R A K Ceramics (Bangladesh) Ltd prepared the following statements of its assets and liabilities, operating results and cash flows for the period/years ended 30 June 2009, 31 December 2008, 2007, 2006, 2005 and 2004 and submitted those to us for our working and for issuance of our confirmation thereon.

We, accordingly, have reviewed the relevant audited financial statements and hereby confirm that the following information has been correctly extracted from those audited financial statements:

#### (A) Statement of Assets and Liabilities:

	Amounts in Taka					
	30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	2,144,948,593	1,973,536,228	2,159,593,068	1,255,924,634	1,386,838,282	1,477,761,126
Intangible Assets	12,210,064	13,494,603	-	-	-	-
Capital work-in-progress	18,992,223	19,352,143	27,128,480	124,998,106	52,308,781	27,378,687
Investment in subsidiary companies	362,656,412	280,656,412	143,656,412	7,705,500	-	-
Investment in associate company	1,050,000	1,050,000	1,050,000	350,000	-	-
Non-current receivables	19,809,271	68,645,271	16,171,815	15,822,865	18,801,816	52,740,476
<b>Total Non-Current Assets</b>	<b>2,559,666,563</b>	<b>2,356,734,657</b>	<b>2,347,599,775</b>	<b>1,404,801,105</b>	<b>1,457,948,879</b>	<b>1,557,880,289</b>
<b>Current Assets</b>						
Inventories	1,392,864,496	1,515,813,255	1,212,186,577	817,468,652	910,607,135	731,248,367
Trade and other receivables	259,686,532	273,721,751	284,585,845	267,572,340	264,457,066	224,008,951
Advance corporate income tax	314,718,814	299,640,401	243,075,295	88,239,187	-	-
Cash and bank balances	40,360,911	27,404,078	27,834,240	26,868,841	26,065,605	54,810,922
<b>Total Current Assets</b>	<b>2,007,630,753</b>	<b>2,116,579,485</b>	<b>1,767,681,957</b>	<b>1,200,149,020</b>	<b>1,201,129,806</b>	<b>1,010,068,240</b>
<b>Total Assets</b>	<b>4,567,297,316</b>	<b>4,473,314,142</b>	<b>4,115,281,732</b>	<b>2,604,950,125</b>	<b>2,659,078,685</b>	<b>2,567,948,529</b>

	Amounts in Taka					
	30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>EQUITY AND LIABILITIES</b>						
Capital and Reserves						
Share capital	1,296,800,000	648,400,000	648,400,000	648,400,000	648,400,000	330,000,000
Share money deposits	558,835,000	508,122,547	549,080,052	51,703,470	51,703,470	370,103,470
Retained earnings	486,625,056	995,310,065	654,668,293	676,293,649	498,323,131	400,234,679
	2,342,260,056	2,151,832,612	1,852,148,345	1,376,397,119	1,198,426,601	1,100,338,149
<b>Non-Current Liabilities</b>						
Borrowings	315,000,000	420,000,000	806,408,654	438,795,705	622,628,654	792,848,654
Provision for employee benefits	6,839,287	7,809,980	2,294,804	9,403,620	5,725,500	-
<b>Total Non-Current Liabilities</b>	321,839,287	427,809,980	808,703,458	448,199,325	628,354,154	792,848,654
<b>Current Liabilities</b>						
Trade and other payables	315,929,136	418,877,748	330,457,966	137,541,852	138,267,054	140,011,644
Borrowings - current portion	905,453,209	928,250,195	435,400,033	227,042,500	457,485,504	370,429,360
Provision for expenses	26,147,924	27,444,358	47,314,831	13,588,449	27,362,690	22,910,880
Provision for corporate income tax	346,167,616	324,220,096	232,600,750	100,656,277	-	-
Provision for royalty and technical know-how fee	309,500,088	194,879,153	408,656,349	301,524,603	209,182,682	141,409,842
<b>Total Current Liabilities</b>	1,903,197,973	1,893,671,550	1,454,429,929	780,353,681	832,297,930	674,761,726
<b>Total Equity and Liabilities</b>	4,567,297,316	4,473,314,142	4,115,281,732	2,604,950,125	2,659,078,685	2,567,948,529

Sd/-

K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 09 August 2009

Sd/-

S. F. AHMED & CO  
Chartered Accountants

**(B) Statement of Operating Results:**

	Period ended	Amounts in Taka				
		Year ended				
	30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
Sales	1,910,348,882	3,247,985,878	2,335,391,844	1,955,084,231	1,633,443,954	1,027,858,623
Less: Cost of Goods Sold	1,371,177,730	2,315,174,472	1,530,281,434	1,373,986,480	1,249,150,579	750,733,941
Gross Profit	539,171,152	932,811,406	805,110,410	581,097,751	384,293,375	277,124,682
Less: Operating Expenses						
Administrative expenses	33,951,820	73,707,617	59,105,227	33,433,886	26,814,132	25,949,835
Marketing and selling expenses	201,079,915	341,821,145	233,010,201	188,129,683	177,833,032	113,103,976
	235,031,735	415,528,762	292,115,428	221,563,569	204,647,164	139,053,811
Operating Profit	304,139,417	517,282,644	512,994,982	359,534,182	179,646,211	138,070,871
Financial expenses	76,943,200	141,170,017	85,258,635	81,449,145	93,370,510	52,650,783
	227,196,217	376,112,627	427,736,347	278,085,037	86,275,701	85,420,088
Other income	732,694	1,907,872	6,782,770	541,758	-	-
Net Profit before Tax	227,928,911	378,020,499	434,519,117	278,626,795	86,275,701	85,420,088
Provision for taxation	85,473,341	91,619,346	131,944,473	100,656,277	-	-
Net Profit after Tax	142,455,570	286,401,153	302,574,644	177,970,518	86,275,701	85,420,088
Earnings per share (EPS) for the period	10.99	-	-	-	-	-
Earnings per share (EPS)- Annualized	21.97	-	-	-	-	-
Earnings per share (EPS)- Basic	21.97	44.17	46.66	27.45	13.31	25.88
Earnings per share (EPS)- Restated	1.54	1.54	1.63	0.96	0.46	0.46

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 09 August 2009

Sd/-  
S. F. AHMED & CO  
Chartered Accountants

**(C) Statement of Cash Flows:**

Period ended	Amounts in Taka				
	Year ended				
30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
Cash Flows from Operating Activities					
Cash received from customers	1,925,013,134	3,286,147,953	2,325,161,108	1,952,510,715	1,624,625,910
Cash paid to suppliers and employees	(1,364,676,488)	(2,327,677,449)	(1,468,734,794)	(1,468,086,260)	(1,251,280,938)
Payments for corporate income tax					
Current period	(15,078,413)	(56,565,106)	(154,836,108)	(88,239,187)	-
Previous periods	(66,266,400)	-	-	-	-
Net cash from operating activities	478,991,833	901,905,398	701,590,206	396,185,268	141,499,211
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	(303,839,712)	(113,217,551)	(1,117,025,467)	(52,334,064)	(1,142,728,075)
Sale of fixed assets	555,000	-	-	-	-
Decrease in intangible assets	1,284,539	-	-	-	-
(Increase)/Decrease in capital work-in-progress	359,920	(31,108,374)	97,869,626	(72,689,325)	831,927,727
(Increase)/Decrease in non-current receivables	48,836,000	(52,473,456)	(348,950)	2,978,951	-
Investment in subsidiary companies	(82,000,000)	(137,000,000)	(135,950,912)	(7,705,500)	-
Investment in associate companies	-	-	(700,000)	(350,000)	-
Net cash used in investing activities	(334,804,253)	(333,799,381)	(1,156,155,703)	(130,099,938)	(310,800,348)

	Amounts in Taka					
	Period ended	Year ended				
		30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
Cash Flows from Financing Activities						
Long term loan	-	-	805,492,949	34,507,051	-	-
Repayment of term loan	(105,000,000)	(292,680,000)	(437,880,000)	(218,340,000)	(170,220,000)	(82,885,845)
Finance charges	(76,943,200)	(141,170,020)	(85,258,635)	(81,449,145)	(93,370,510)	(52,650,783)
Share money deposit	50,712,453	5,575,618	497,376,582	-	-	26,414,410
Repayment of subordinate loan	-	(93,728,654)	-	-	-	-
Refund of unutilized share money deposit	-	(46,533,123)	-	-	-	-
Dividend paid	-	-	(324,200,000)	-	-	-
Net cash used in financing activities	(131,230,747)	(568,536,179)	455,530,896	(265,282,094)	(263,590,510)	(109,122,218)
Net Increase in Cash	12,956,833	(430,162)	965,399	803,236	(31,388,679)	(278,423,355)
Opening cash and bank balances	27,404,078	27,834,240	26,868,841	26,065,605	57,454,284	335,877,639
Closing cash and bank balances	40,360,911	27,404,078	27,834,240	26,868,841	26,065,605	57,454,284

#### (D) Dividends

Details of dividends declared by the Company for the above period/years are as under:

Cash dividend	-	-	50%	-	-
Stock dividend	100%	-	-	-	-

Sd/-

K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 09 August 2009

Sd/-

S. F. AHMED & CO  
Chartered Accountants

## RAK Ceramics (Bangladesh) Ltd

Notes to financial statements for the period from 01 January 2009 to 30 June 2009

### Ratio Analysis

#### Auditors' Certificate on Calculation of Various Accounting Ratios for the Period/Years Ended 30 June 2009, 31 December 2008, 2007, 2006, 2005 and 2004

We have examined the following accounting ratios of RAK Ceramics (Bangladesh) Ltd for the period/years ended 30 June 2009, 31 December 2008, 2007, 2006, 2005 and 2004, as submitted to us by its management. The preparation of these ratios is the responsibility of the Company's management. Our responsibility is to review them and certify as to whether they have been properly prepared using acceptable principles on the basis of audited financial statements for the period/years ended 30 June 2009, 31 December 2008, 2007, 2006, 2005 and 2004.

Based on our review, we hereby certify that the Company has properly prepared the following ratios for the period/years as stated below:

Ratio:	Period of 6 months ended	Year ended 31 December				
	30 June 2009	2008	2007	2006	2005	2004
<b>I. Liquidity Ratios</b>						
Current ratio	1.05	1.12	1.22	1.54	1.44	1.50
Quick ratio	0.60	0.55	0.60	0.84	0.66	0.71
Times interest earned	3.96	3.68	6.10	4.42	1.92	2.62
Debt-equity ratio	0.13	0.20	0.44	0.32	0.52	0.72
<b>II. Operating Ratios</b>						
Accounts receivable turnover ratio	7.16	11.64	8.46	7.35	6.69	3.95
Assets turnover ratio	0.42	0.76	0.70	0.74	0.62	0.42
Inventory turnover ratio	0.94	1.70	1.51	1.59	1.52	1.25
<b>III. Profitability Ratios</b>						
Gross margin ratio (%)	28.22	28.72	34.47	29.72	23.53	26.96
Operating income ratio (%)	15.92	15.9	21.97	18.39	11.00	13.43
Net income ratio (%)	7.46	8.82	12.96	9.10	5.28	8.31
Return on assets ratio (%) (annualized)	6.30	6.67	9.00	6.76	3.30	3.47
Return on equity (after tax) (%) (annualized)	12.68	14.47	19.30	14.34	7.66	8.18
Earnings per share (Taka)	1.54*	1.54	1.63	0.96	0.46	0.46

Sd/-

K.M. HASAN & CO

Chartered Accountants

Dhaka, Bangladesh

Dated, 09 August 2009

Sd/-

S. F. AHMED & CO

Chartered Accountants

\* EPS has been annualize, half yearly EPS is Tk. 0.77, In calculating EPS total no. of outstanding shares taken into consideration is 185,563,500, face value of Tk.

## Section - XV

### **Auditors Report & related Certificates of Subsidiaries of RAK Ceramics (Bangladesh) Ltd**

INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
**R.A.K. PHARMACEUTICALS PVT. LTD.**

We have audited the accompanying balance sheet of **R.A.K. PHARMACEUTICALS PVT. LTD.** as on 31 December 2008 and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's Management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above balance sheet, prepared in accordance with Bangladesh Accounting Standard (BAS), give a true and fair view of the state of the Company's affairs as of 31 December 2008 and its cash flow for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

**We also report that:**

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the balance sheet is in agreement with the books of account maintained by the company.

Dated, Dhaka  
10 January 2009

Sd/-  
K. M. HASAN & CO.  
Chartered Accountants



**R.A.K. PHARMACEUTICALS PVT. LTD.**
**Balance Sheet**  
**As on 31 December 2008**

	Notes	Amount in Taka	
		As at 31-Dec-08	As at 31-Dec-07
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	4	55,290,274	20,920,452
Capital work in progress	5	451,062,526	210,635,578
Preliminary expenses		244,690	244,690
Pre-operating expenses	6	53,854,548	21,610,420
Non-current receivables	7	58,090	56,090
<b>Total Non-current Assets</b>		<b>560,510,128</b>	<b>253,467,230</b>
Current assets			
Inventories	8	2,683,941	3,581,817
Trade and other receivables	9	30,393,631	5,591,798
Cash and cash equivalents	10	2,556,344	4,732,367
<b>Total Current assets</b>		<b>35,633,916</b>	<b>13,905,982</b>
<b>Total assets</b>		<b>596,144,044</b>	<b>267,373,212</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and Reserves			
Share capital	1 1	10,000	10,000
Share Money Deposits	12	264,204,070	140,379,869
		264,214,070	140,389,869
<b>NON-CURRENT LIABILITIES</b>			
Borrowing	13	295,431,844	-
		295,431,844	-
<b>Current liabilities</b>			
Borrowing	13	31,427,666	-
Trade and other payables	14	3,107,773	126,039,263
Provision for liabilities and charges	15	1,962,691	944,080
		36,498,130	126,983,343
<b>Total Equity and liabilities</b>		<b>596,144,044</b>	<b>267,373,212</b>

(The annexed notes form an integral part of these accounts)

Sd/-

Managing Director

Sd/-

Chairman

Signed in terms of our report of even date annexed

Sd/-

K.M. HASAN & CO.  
Chartered AccountantsDated, Dhaka  
10 January 2009

**R.A.K. PHARMACEUTICALS PVT. LTD.**

**Cash Flow Statement  
As on 31 December 2008**

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
Cash flow from operating activities:		
Net profit for the year	-	-
Adjustment for:		
Depreciation	(794,444)	652,038
Operating profit before Working Capital Changes (A)	(794,444)	652,038
Changes in Current Assets and Liabilities:		
Inventories	897,876	(3,581,817)
Trade and other receivables	(24,801,833)	(3,978,728)
Borrowing - Current portion	31,427,666	-
Trade and other payable	(122,931,490)	125,704,341
Provision for liabilities and charges	1,018,611	803,270
Cash generated from operation (B)	(114,389,170)	118,947,066
Cash flow from investing activities:		
Addition to fixed assets	(33,575,378)	(13,067,615)
Capital work in progress	(240,426,948)	(205,636,927)
Preliminary expenses	-	(3,365)
Non current receivables	(2,000)	(10,000)
Pre-operating expenses	(32,244,128)	(15,673,034)
Cash used in investing activities (C)	(306,248,454)	(234,390,941)
Cash flow from financing activities:		
Share money deposit	123,824,201	118,184,369
Borrowing	295,431,844	-
Cash provided by financing activities (D)	419,256,045	118,184,369
Net changes in cash or cash equivalent (E=A+B+C+D)	(2,176,023)	3,392,532
Opening cash and bank balances (F)	4,732,367	1,339,835
Closing cash and bank balance (G=E+F)	2,556,344	4,732,367

Note: Cash outflow have been shown in brackets

Sd/-  
Managing Director

Sd/-  
Chairman

Dated, Dhaka  
10 January 2009

Sd/-  
K.M. HASAN & CO.  
Chartered Accountants

**R.A.K. PHARMACEUTICALS PVT. LTD.**  
**Notes To The Accounts**  
**For the year ended 31 December 2008**

**1 Introduction :**

R.A.K. PHARMACEUTICALS PVT. LTD. is a private company limited by shares incorporated in Bangladesh on 29 June 2005 under the Companies Act 1994.

**2 Nature Of Business :**

The main objects, among other things, include all types of activities relating to production, processing, packaging, import, export and marketing of any kind of medicine, vaccine or food items for poultry, livestock, hatchery, dairy, fishery, agricultural crops and horticultural plant to sell, agro-processing, research and to undertake development work in pharmaceutical products, biotechnology and biomedical sciences and related ancillary & by-products of all kinds, categories and descriptions, and all matters incidental thereto and connected there with as embodied and fully described in the Memorandum of Association of the company.

**3 Significant Accounting Policies :**

**3.1 Accounting Convention and Policies :**

The accounts of the company have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the international accounting standards as applicable to the company including the ones so far adopted by the Institute of Chartered Accountants of Bangladesh.

**3.2 Integral components of the financial statements :**

- a) Balance Sheet as on 31 December 2008.
- b) Cash Flow Statement for the year ended 31 December 2008.
- c) Notes to the accounts for the year ended 31 December 2008.

**3.3 Fixed Assets:**

In earlier year depreciation was charged on fixed assets at reducing balance method and accounted for against pre-operating expenses and shown in Non-current-assets. During the year, the company has decided to write back the depreciation amount considering that the plant was not in operation and as such as the property, plant and equipment is not depreciable and shown in Note-4.

### **R.A.K. Pharmaceuticals pvt. Ltd.**

Notes to accounts For the year ended 31 December 2008

**3.4 The company has been availing borrowing / term loan facilities for import of capital machinery & equipment and financing 50% of the project cost from Dutch Bangla Bank Ltd. under the following terms and conditions:**

- a. Loan against letter of credit:  
Limit: BDT 231,574,000 from DBBL  
Commission: @ 0.25% per quarter. The arranger banks will retain 30% of the L/C commission and the rest of 70% will be shared in proportion to the participating amount amongst the syndicated lenders.  
Maximum Tenor: To be decided later upon receipt of proforma invoice.
- b. Syndicated Term Loan:  
Limit: BDT 374,820,000 from DBBL.  
Lead Arranger and Agent: DBBL  
Lenders: DBBL - BDT - 321,820,000  
          PBL - BDT - 25,000,000  
          SBL - BDT - 28,000,000  
Maximum Tenor: March 05,2015 (7 years including grace period of 12 months)
- Repayment: Repayment will be made in 24 equal quarterly instalments starting from June 05, 2009.
- Interest: Term loan shall be subject to a fixed rate of interest for the first 6 months from the date of first advance payable at quarterly rests and determine @ 14.00% per annum for the participation amount of DBBL & PBL and @ 14.50% per annum for the enhanced portion of participation amount of SBL.

**3.5 General:**

The company is still at a pre-production/pre-commercial operation stage. Previous year's figures have been rearranged wherever necessary to conform to current year's presentation.

Figures have been rounded off to the nearest Taka.

## R.A.K. Pharmaceuticals pvt. Ltd.

Notes to accounts For the year ended 31 December 2008

### 4 Property, Plant And Equipment: Taka 55,290,274

Amount in Taka

Particulars	AT COST			WDV	
	Opening	Addition	Adjustment	31-Dec-08	31-Dec-07
Land	12,327,153	5,690,730	-	18,017,883	12,327,153
Plant & machinery	185,600	15,743,725	-	15,929,325	170,955
Furniture & Fixture	599,661	9,543,654	(300,171)	9,843,144	527,898
Office equipments	992,859	1,711,440	(44,000)	2,660,299	911,425
Electrical installation	77,851	-	-	77,851	66,788
Vehicles	7,531,772	1,230,000	-	8,761,772	6,916,233
Total	21,714,896	33,919,549	(344,171)	55,290,274	20,920,452

### 5 Capital Work In Progress: Taka 451,062,526

Factory roads & boundary walls	5,941,970	1,839,314
Production building	80,187,223	33,931,551
Warehouse building	39,847,598	12,860,102
Cephalosporin building	31,733,135	12,396,646
Intermediate building	10,374,284	3,711,364
RAK Tower office	53,686,786	20,314,956
Machinery in Transit (under LC)	376,270	125,581,645
Deep tube well	1,032,000	-
Utilities building	16,575,032	-
Gatehouse	207,461	-
Canteen	1,363,633	-
Electrical system	18,321,153	-
ETP	15,933	-
Water purifying system	231,358	-
Plant & Machinery	191,168,690	-
Total	451,062,526	210,635,578

### 6 Pre - Operating Expenses: Taka 53,854,548

Salary & wages	21,833,839	8,706,479
Bonus	1,409,078	541,800
Incentive	188,210	71,200
Office rent	959,911	669,911
Printing & stationery	939,113	309,751
Books & periodicals	382,263	88,696
Office supplies	315,101	91,248
Fuel expenses	1,589,511	602,500
Fooding expenses	961,760	238,491
Telephone, internet & fax	1,192,169	541,737
Tools & appliances	124,387	44,162

**R.A.K. Pharmaceuticals pvt. Ltd.**

Notes to accounts For the year ended 31 December 2008

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
Electricity expenses	1,037,783	364,291
Travelling & conveyance - Local	1,002,696	99,503
Travelling & conveyance - Foreign	1,248,536	681,203
WASA exp.	37,299	27,536
Entertainment	2,496	2,496
Electrical items	194,239	151,847
Gas	17,665	11,605
Construction equipments	-	453,017
Cookeries & cutleries	83,140	24,186
Hire equipment	-	259,300
Hardware items	91,135	91,135
Sanitary & fittings exp.	4,336	3,849
Medical exp.	112,691	53,453
Canteen exp.	9,502	9,502
Insurance exp.	717,794	21,390
Form & fees	97,390	2,190
Audit fees	100,000	75,000
Laboratory testing exp.	5,000	169,100
Market research & new products	22,540	19,480
Promotional exp.	618,674	579,891
Postage & courier exp.	29,117	11,779
Legal & Consultancy fees	3,840,155	1,283,778
Recruitment expenses	596,076	95,747
Software & networking expenses	67,333	67,333
Staff welfare	2,200	2,200
Uniform & liveries	8,240	8,240
Stamp expenses	3,990	3,370
Security exp.	2,553,977	1,119,839
Subscription & Donation	17,335	15,335
Office maintenance	1,538,453	1,200,730
Overtime	136,968	42,113
Registration & renewal	50,200	30,000
Repair & maintenance - Constr. Equipment	-	65,223
Repair & maintenance - Vehicle	954,978	455,954
Repair & maintenance - Furniture & fixtures	269,930	224,430
Repair & maintenance - Office equipment	213,777	84,215
Repair & maintenance - General	83,446	3,756
Repair & maintenance - P & M	575,761	-
Bank charges	1,626,469	1,064,589
Depreciation	-	802,236
Irrecoverable loss on fixed assets	375,567	23,604
Research & development exp	934,471	-
Rent, Rates & taxes	779,366	-

## Trend Setters

### R.A.K. Pharmaceuticals pvt. Ltd.

Notes to accounts For the year ended 31 December 2008

	Amount in Taka	
	As at	As at
	31-Dec-08	31-Dec-07
Laboratory consumable store	2,886,448	-
Miscellaneous expenses	1,012,033	-
Total	53,854,548	21,610,420
<b>7 Non - Current Receivables: Taka 58,090</b>		
Security deposit - Mymensingh PBS - 2	36,090	36,090
Security deposit - Grameen Phone	6,000	6,000
Security deposit - Land Phone (T & T)	16,000	4,000
Security deposit - Spark Systems Ltd.	-	10,000
Total	58,090	56,090
<b>8 Inventories : Taka 2,683,941</b>		
Raw materials	12,255	-
Store & spares	2,670,436	3,581,817
Laboratories & chemical	1,250	-
Total	2,683,941	3,581,817
<b>9 Trade And Other Receivables: Taka 30,393,631</b>		
Advance to suppliers - Local (9.1)	13,941,877	141,445
Advance to suppliers - Import (9.2)	7,283,322	181,956
Advance to service provider - local (9.3)	2,391,964	-
Advance against land	3,452,447	5,018,892
Value added tax (VAT)	1,709,887	246,138
Advance income tax (9.4)	994,290	3,367
Inter company receivables - RAK Food & beverage Pvt. Ltd.	618,906	-
Advance for C & F and freight	938	-
Total	30,393,631	5,591,798
<b>9.1 Advance to suppliers-Local: Taka 13,941,877</b>		
The Megatech Engineers	-	120,000
Cyber Bridge	-	14,500
Bashundhara Steel Complex Ltd.	6,945	6,945
ARC'N light	1,250,000	-
Axis corporation	277,385	-
Details technologies	2,908,800	-
Gen enterprise	32,990	-
Goodwill engineers & construction	2,150,012	-
Madani thai aluminium	129,997	-
MH net	100,000	-
Mysin environmental & engineering	1,850,000	-
Otobi Ltd.	37,375	-
Saka international ltd	3,976,863	-
Taiwan glass house	148,510	-
Tech. Me engineers	70,000	-
Tecnotel trading	115,000	-
Tritech ACMV engineering co.	888,000	-
Total	13,941,877	141,445

## R.A.K. Pharmaceuticals pvt. Ltd.

Notes to accounts For the year ended 31 December 2008

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
<b>9.2 Advance to suppliers - Import : Taka 7,283,322</b>		
Evercool refrigerating & air condition co. ltd.	-	181,956
Fisher scientific UK	1,955,613	-
GMP china	4,200,475	-
Pam pharmaceutical & allied machinery co	1,127,234	-
<b>Total</b>	<b>7,283,322</b>	<b>181,956</b>
<b>9.3 Advance to service provider - local: Taka 2,391,964</b>		
Leads corporation ltd.	600,000	-
Mr. Probir ghose	150,000	-
Aamra infotainment ltd	27,000	-
ARC' N light	120,000	-
Green planet communications pvt ltd.	265,000	-
Megnum equipment & services ltd.	522,404	-
Md. Momin	68,060	-
Navana CNG ltd.	64,500	-
M/S Sabbir enterprise	50,000	-
Unison	525,000	-
<b>Total</b>	<b>2,391,964</b>	<b>-</b>
<b>9.4 Advance income tax: Taka 994,290</b>		
For bank interest	22,385	3,367
For import purchase	971,905	-
<b>Total</b>	<b>994,290</b>	<b>3,367</b>
<b>10 Cash and Cash Equivalent: Taka 2,556,344</b>		
Cash in hand:		
Head office:		
Cash in hand	488,141	133,940
Petty cash	15,000	-
Factory	20,000	20,000
	523,141	153,940
Cash at bank:		
Dutch-Bangla Bank - Current A/C No. 117.110.2481	1,303	9,469
Dutch-Bangla Bank - STD A/C No. 117.120.0330	897,060	2,755,168
HSBC - STD A/C No. 001-066331-067	1,134,840	1,813,790
	2,033,203	4,578,427
<b>Total</b>	<b>2,556,344</b>	<b>4,732,367</b>



## R.A.K. Pharmaceuticals Pvt. Ltd.

Notes to accounts For the year ended 31 December 2008

### Amount in Taka

	As at 31-Dec-08	As at 31-Dec-07
<b>11 Share Capital : Taka 10,000</b>		
Authorised Capital: 5,000,000 ordinary shares of Tk.100 each	500,000,000	500,000,000
Issued,subscribed,called and paid up capital: 100 ordinary shares of Tk.100 each	10,000	10,000

Particulars of share-holdings are as follows:

Name of Shareholders:	No. of Shares	Value per Share	Total	Total
R.A.K. ceramics (BD) Pvt. Ltd.	55	100	5,500	5,500
Mr. S.A.K. Ekramuzzaman	30	100	3,000	3,000
Mr. Syed A K Anwaruzzaman	5	100	500	500
Mr. Amir Hossain	5	100	500	500
Mr. Muzammal Hoque	5	100	500	500
	100		10,000	10,000

### 12 Share Money Deposit: Taka 264,204,070

R.A.K. Ceramics (BD) Pvt. Ltd.	164,045,212	94,045,212
Mr. S.A.K. Ekramuzzaman	80,158,858	29,334,657
Mr. Syed A K Anwaruzzaman	14,500,000	11,500,000
Mr. Amir Hossain	5,000,000	5,000,000
Mr. Muzammal Hoque	500,000	500,000
Total	264,204,070	140,379,869

### 13 Borrowing : Taka 326,859,510

Non-current portion : Taka 295,431,844		
Dutch Bangla Bank Limited	295,431,844	-
Sub -Total	295,431,844	-
Current portion : Taka 31,427,666		
Dutch Bangla Bank Limited	31,427,666	-
Sub -Total	31,427,666	-
Total	326,859,510	-

**R.A.K. Pharmaceuticals pvt. Ltd.**

Notes to accounts For the year ended 31 December 2008

	Amount in Taka	
	As at	As at
	31-Dec-08	31-Dec-07
<b>14 Trade and other Payables: Taka 3,107,773</b>		
Trade and other payables - Local (14.1)	2,801,496	841,724
Payables against capital goods - Import (14.2)	-	124,706,718
C & F	70,442	-
Other payables (14.3)	235,835	490,821
Total	3,107,773	126,039,263
<b>14.1 Trade and Other Payables - Local: Taka 2,801,496</b>		
M. N. Enterprise	-	45,272
Al Fatiha Electric	18,113	39,212
Aroz Electric	-	4,936
Bhai Bhai Filling Station	-	22,950
Sehaz International	-	354,620
R.A.K. Security and Services (PVT.) Ltd.	136,226	138,058
Flight Centre Limited	-	55,684
Rajib Engineering Workshop	-	180,992
M/S Asgar trading	76,388	-
Bangla hardware & paint supply	8,953	-
Beta- tech engineering services	6,842	-
Asia paints bangladesh ltd.	226,971	-
Euro international	71,049	-
Haque mill store	7,594	-
Jahura hardware & paint	8,016	-
Olympia paint & hardware	7,200	-
Rahimafrooz energy services ltd	706,005	-
Ryan trading	32,829	-
Sreepur Bhai Bhai Filling Station	184,000	-
Supreme technology	11,310	-
Z.p syndicate	1,300,000	-
Total	2,801,496	841,724

## Trend Setters

### R.A.K. Pharmaceuticals pvt. Ltd.

Notes to accounts For the year ended 31 December 2008

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
<b>14.2 Payables against Capital Goods - Import : Taka Nil</b>		
Pharmaceuticals and Medicals supply Limited Partnership	-	10,134,815
Chamunda Pharma Machinery Pvt. Ltd.	-	1,133,110
Gansons Engineers Pvt. Ltd.	-	1,819,813
Pam Pharmaceuticals & Allied Machinery Co Pvt Ltd	-	8,424,100
Pam Glatt Pharma Technologies Pvt. Ltd.	-	8,976,500
CMC Machinery	-	8,454,482
Hoong - A Corporation	-	12,290,900
N.R Industries Co. Ltd.	-	5,524,000
Ever Cool Refrigeration & Air Conditioning Co. Ltd.	-	67,948,998
<b>Total</b>	<b>-</b>	<b>124,706,718</b>
<b>14.3 Other Payables: Taka 235,835</b>		
R.A.K. Ceramics (BD) Pvt. Ltd.	-	37,365
Retention money - Sub contractors	40,000	214,426
TDS - Employees	16,678	4,544
TDS - A/C Payables Goods - Local	102,639	124,647
TDS - Rent	-	2,500
TDS - Professional Charges	5,500	2,500
TDS - A/C Payables Services	12,331	43,541
VDS - A/C Payables Goods - Local	51,089	42,377
VDS - A/C Payables Services	5,123	17,796
VDS - Professional Charges	2,475	1,125
<b>Total</b>	<b>235,835</b>	<b>490,821</b>
<b>15 Provision for Liabilities &amp; Charges : Taka 1,962,691</b>		
Salary & wages	1,796,927	809,030
Bonus	43,764	35,250
Electricity	60,000	41,000
Gas	-	800
Water	-	3,000
Telephone	37,000	30,000
Professional charges (Audit fee)	25,000	25,000
<b>Total</b>	<b>1,962,691</b>	<b>944,080</b>

### Auditors' Report under Section 135(1), Para 24(1) of Part – II of Schedule III to Companies Act 1994 of RAK Pharmaceuticals Pvt. Limited

As required under section 135 (1), Para 24(1), Part – II of Schedule III to Companies Act 1994, R.A.K. Pharmaceuticals Pvt Ltd prepared the following statements of its assets and liabilities, operating results and cash flows for the period/years ended 31 December 2008, 2007, 2006 and 2005 and submitted those to us for our working and for issuance of our confirmation thereon.

We, accordingly, have reviewed the relevant audited financial statements and hereby confirm that the following information has been correctly extracted from those audited financial statements:

#### (A) Statement of Assets and Liabilities:

	Amounts in Taka			
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
				31 Dec 2004
	As at			
<b>ASSETS</b>				
Non-Current Assets				
Property, plant and equipment	55,290,274	20,920,452	8,504,875	8,255,275
Capital work-in-progress	451,062,526	210,635,578	4,998,651	-
Preliminary expenses	244,690	244,690	241,325	241,325
Pre-operating expenses	53,854,548	21,610,420	5,937,386	1,447,101
Non-current receivables	58,090	56,090	46,090	6,000
Total Non-Current Assets	560,510,128	253,467,230	19,728,327	9,949,701
Current Assets				
Inventories	2,683,941	3,581,817	-	-
Trade and other receivables	30,393,631	5,591,798	1,613,070	-
Cash and cash equivalents	2,556,344	4,732,367	1,339,835	266,885
Total Current Assets	35,633,916	13,905,982	2,952,905	266,885
Total Assets	596,144,044	267,373,212	22,681,232	10,216,586

	Amounts in Taka				
	As at				
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>EQUITY AND LIABILITIES</b>					
Capital and Reserves					
Share capital	10,000	10,000	10,000	10,000	-
Share money deposits	264,204,070	140,379,869	22,195,500	9,490,000	-
	264,214,070	140,389,869	22,205,500	9,500,000	-
Non-Current Liabilities					
Borrowings	295,431,844	-	-	-	-
Total Non-Current Liabilities	295,431,844	-	-	-	-
Current Liabilities					
Borrowing	31,427,666	-	-	-	-
Trade and other payables	3,107,773	126,039,263	334,922	525,963	-
Provision for liabilities and other charges	1,962,691	944,080	140,810	190,623	-
Total Current Liabilities	36,498,130	126,983,343	475,732	716,586	-
Total Equity and Liabilities	596,144,044	267,373,212	22,681,232	10,216,586	-

**(B) Statement of Operating Results:**

The company was under project implementation stage as on December 31, 2008. No operating activities took place. Hence operating statement not provided for.

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 15 October 2009

	Amounts in Taka				
	Year ended	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>(C) Statement of Cash Flow:</b>					
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	-	-	-	-	-
Cash paid to suppliers and employees	114,389,170	(118,947,066)	1,853,924	(716,586)	-
Net cash from operating activities	(114,389,170)	118,947,066	(1,853,924)	716,586	-
<b>Cash Flows from Investing Activities</b>					
Acquisition of property, plant and equipment	(34,369,822)	(12,415,577)	(249,600)	(8,255,275)	-
(Increase)/Decrease in capital work-in-progress	(240,426,948)	(205,636,927)	(4,998,651)	-	-
(Increase)/Decrease in non-current receivables	(2,000)	(10,000)	(40,090)	(6,000)	-
(Increase)/Decrease in Preliminary expenses	-	(3,365)	-	(241,325)	-
(Increase)/Decrease in Pre-operating expenses	(32,244,128)	(15,673,034)	(4,490,285)	(1,447,101)	-
Net cash used in investing activities	(307,042,898)	(233,738,903)	(9,778,626)	(9,949,701)	-
<b>Cash Flows from Financing Activities</b>					
Share Capital	-	-	-	10,000	-
Long term loan	295,431,844	-	-	-	-
Share money deposit	123,824,201	118,184,369	12,705,500	9,490,000	-
Net cash used in financing activities	419,256,045	118,184,369	12,705,500	9,500,000	-
Net Increase in Cash	(2,176,023)	3,392,532	1,072,950	266,885	-
Opening cash and bank balances	4,732,367	1,339,835	266,885	-	-
Closing cash and bank balances	2,556,344	4,732,367	1,339,835	266,885	-
Cash dividend	-	-	-	-	-
Stock dividend	-	-	-	-	-

Sd/-

K. M. HASAN & CO

Chartered Accountants

Dhaka, Bangladesh

Dated, 15 October 2009

## Trend Setters

### Director's report to the Shareholders of RAK Pharmaceuticals Pvt. Limited

The directors are pleased to present their report on the activities of the company together with the Audited financial for the year ended December, 31 2008.

#### **Project Status:**

Plant and machineries were imported and commissioned. The facility has been inspected by the Drug Regulatory Authority on 9th October 2008 & "Block List" to import raw & packing materials for trial raw has been approved. Drug manufacturing license is expected to be issued within 15th of January 2009. R & D laboratory is in operation and necessary stability batches have been done.

Inside of production, cephalosporin, utility & warehouse buildings are complete and ready for use. Work on admin office is in progress and connection of power supply from "RAK Power" has been initiated. Currently the facility is supported by 880 KVA (2 units) diesel generators. Landscaping & exterior paint has been taken in hand.

#### **Financing:**

The cost of project is BDT. 797.84 million Financed by Equity and debt in proportion of 53:47 amounting to BDT. 423.02 and 374.82 millions respectively. Out of total equity contribution BDT. 264.20 million has been received and utilized remaining BDT. 158.82 million will be required to be utilized by end of March 2009. Out of total debt as syndicated term loan from Dutch Bangla Bank Ltd. (DBBL) BDT. 326.86 million has been utilized on import of machineries & local machineries, buildings and other construction works. In addition, remaining BDT. 47.96 million (including IDCP) will be utilized up to end of January, 2009.

#### **Auditors:**

M/S. K.M. Hasan & Co., Chartered Accountants, retires and offers themselves for reappointment as auditors for the year ending December 31, 2009.

Company is expecting the commercial production by March 2009.

On behalf of the Board

Sd/-

Dr. Khater Massaad

Chairman

Dated: January 11, 2009

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
R.A.K. POWER PVT. LTD.**

We have audited the accompanying balance sheet of R.A.K. POWER PVT. LTD. as on 31 December 2008 and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's Management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above balance sheet, prepared in accordance with Bangladesh Accounting Standard (BAS), give a true and fair view of the state of the Company's affairs as of 31 December 2008 and its cash flow for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

**We also report that:**

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the balance sheet is in agreement with the books of account maintained by the company.

Dated, Dhaka  
10 January 2009

Sd/-  
K. M. HASAN & CO.  
Chartered Accountants



**R.A.K. POWER PVT. LTD.**  
**Balance Sheet**  
**As on 31 December 2008**

	Notes	Amount in Taka	
		As at 31-Dec-08	As at 31-Dec-07
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	4	16,761,806	11,467,410
Preliminary Expenses		194,415	194,415
Pre Operating Expenses	5	27,610,812	7,333,502
Work-in-Progress	6	343,172,623	10169773
Capital Goods in Transit	7	-	227,965,904
Non-current receivables	8	4,426,268	11,735,594
Bank Deposits ( Initial maturity>1 year)		23,859,558	-
		416,025,482	268,866,598
Current assets			
Inventories	9	204,758	-
Other receivables	10	10,250,493	10,331,033
Advance against Capital Item	11	732,160	426,272
Advance Income tax		95,766	6,554
Cash at bank and in hand	12	6,482,673	548,686
Total Current assets		17,765,850	11,312,545
Total assets		433,791,332	280,179,143
<b>EQUITY AND LIABILITIES</b>			
Capital and Reserves			
Share capital	13	10,000	10,000
Share Money Deposits	14	165,497,200	73,097,200
		165,507,200	73,107,200
Non-current liabilities			
Long Term Loan	15	181,127,451	167,037,037
Total Non- current Liabilities		181,127,451	167,037,037
Current liabilities			
Trade and other payables	16	16,538,182	1,453,750
Current Portion of Long Term Loan	17	65,735,294	37,962,963
Provision for liabilities and charges	18	46,500	25,285
Book Overdraft	19	4,836,705	592,908
Total Current liabilities		87,156,681	40,034,906
Total Equity and liabilities		433,791,332	280,179,143
Sd/-		Sd/-	
Managing Director		Chairman	

Dated, Dhaka  
10 January 2009

Sd/-  
K.M. HASAN  
Chartered Accountants

**R.A.K. POWER PVT. LTD.**  
**Statement of Cash Flow**  
**For the year ended 31 December 2008**

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit for the year	-	
Adjustment for:	-	
Depreciation	(289,068)	251,237
Operating Profit before Working Capital Charge	(289,068)	251,237
<b>Changes in Operating Assets &amp; Liabilities</b>		
Inventory	(204,758)	-
Other Receivables	80,540	(10,331,033)
Advance against capital Item	(305,888)	(426,272)
Advance Income Tax	(89,212)	-
Trade and Other Payable	15,084,432	(285,320)
Current portion of long term loan	27,772,331	37,962,963
Provision for † Liability & charges	21,215	20,285
Book Overdraft	4,243,797	592,908
Cash Generated From Operation (A)	46,313,389	27,784,768
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Fixed assets addition	(5,005,328)	(11,496,678)
Prelininery Expenses		
Pre Operating Expenses	(20,277,310)	-
Work in Process	(333,002,850)	(14,696,160)
Capital Goods in Transit	227,965,904	(227,965,904)
Non current receivables	7,309,326	(11,740,148)
Bank Deposits	(23,859,558)	-
CASH USED IN INVESTING ACTIVITIES (B)	(146,869,816)	(265,898,890)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Share Capital	-	-
Share Money Deposit	92,400,000	71,597,200
Long Term Loan	14,090,414	167,037,037
CASH PROVIDED BY FINANCING ACTIVITIES ©	106,490,414	238,644,237
NET CHANGE IN CASH OR CASH EQUIVALENT (D)	5,933,987	530,115
OPENING CASH AND BANK BALANCE (E)	548,686	18,571
CLOSING CASH AND BANK BALANCE	6,482,673	548,686

Sd/-  
Managing Director

Sd/-  
Chairman

Dated, Dhaka  
10 January 2009

Sd/-  
K.M. HASAN  
Chartered Accountants

**R.A.K. POWER PVT. LTD.**  
**Notes to the Accounts**  
**For the year ended 31 December 2008**

**1 Introduction :**

R.A.K. POWER PVT. LTD. is a private company limited by shares incorporated in Bangladesh on 30 June 2005 under the companies act XVIII OF 1994.

**2 Nature of Business :**

The main objects of the company is to set-up power utilities, own and operate power generating plant, Transmission system and Distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

**3 Significant Accounting Policies :**

**3.1 Accounting Convention and Basis :**

The accounts of the company have been prepared under historical cost convention in accordance with generally accepted accounting principles (GAAP) as laid down in the international accounting standards as applicable to the company including the ones so far adopted by the institute of Chartered Accountants of Bangladesh

**3.2 Integral components of the financial statements :**

- a) Balance Sheet as on 31 December 2008.
- b) Cash Flow Statement for the year ended 31 December 2008.
- c) Notes to the accounts for the year ended 31 December 2008.

**3.3 Fixed Assets:**

In the earlier year depreciation was charged on fixed assets at reducing balance method and accounted for against pre-operating expenses and shown in work –in-progress account. During the year, the company has decided to write back the depreciation amount considering that the plant was not in operation and as such as the property, plant & equipment is not depreciable and shown in Note-4.

## **R.A.K. POWER PVT. LTD.**

### **Notes to the accounts for the year ended 31 December 2008**

#### **3.4 Loan from Banks:**

##### **3.4.1 HSBC**

The term loan has been availed for financing Capital Machinery for power equipment under IMP01:

Limit: BDT 205,000,000

Maximum Tenor: 5 years including 6 month moratorium.

Repayment: Repayment will be made in 51 equal monthly installments.

Interest: The sanctioned rate of interest was @ 13.50% which has been enhanced to 13.75% i.e 01 July 2008 and payable at maturity or quarterly in arrears, whichever is earlier, to the debt of the borrower's current account.

##### **3.4.2 SCB**

The company has availed term loan for import financing by letters of credit and local purchase for implementation of capital machineries, spare parts and related materials for setting up the power project.

Limit: BDT 70,000,000

Maximum Tenor: 60 months including one year moratorium.

Repayment: Repayment will be made in 16 quarterly installments after expiration of 1 year moratorium.

Interest: The sanctioned rate of interest is @ 13.00% p.a and as per guidelines of Bangladesh Bank and 1% prepayment fee and commission fee @ 0.50% p.a. on the indrawn or cancelled portion of the loan after expiration availability period.

#### **3.5 General :**

The company is still at a pre-production/pre-commercial operation stage.

Figures these notes and financial statements have been rounded off to the nearest Taka.

Previous year's phrases and figures have been rearranged where considered necessary to conform to the current period's classification.

**R.A.K. POWER PVT. LTD.****Notes to the accounts for the year ended 31 December 2008****4 Property, Plant and Equipment: Tk. 16,761,806**

Particulars	Land	Factory Building	Vehicle	Furniture & Fixtures	Office Equipments	Commun. Equip-ment	Electrical Installation	Tools & Appliance	Total
Cost as at 1 Jan-2008	10,304,000		1,125,000	121,678	169,300	36,500	-	-	11,756,478
Additions during the year	-	3,181,136	61,300	1,286,708	421,739	-	50,000	4,445	5,005,328
At 31 December 2008	10,304,000	18,197,795	1,186,300	121,678	591,039	36,500	50,000	4,445	16,761,806
Accumulated depreciation up to 31 December 2007"	-	-	225,000	16,516	39,118	8,434	-	-	289,068
Charge for the year	-	-	(225,000)	(16,516)	(39,118)	(8,434)	-	-	(289,068)
At 31 December 2008	-	-	-	-	-	-	-	-	-
Rate of Depreciation (%)	-	10.00	20.00	10.00	20.00	10.00	20.00	20.00	
Net book amount	10,304,000	18,197,795	1,186,300	121,678	591,039	36,500	50,000	4,445	16,761,806

**R.A.K. POWER PVT. LTD.**
**Notes to the accounts for the year ended 31 December 2008**
**5 Pre-Operating Expenses : Taka 27,610,812**

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
Advertisement	125,000	108,696
Audit fees	35,000	20,000
Bank charges	1,113,963	845,519
Bonus	293,100	166,800
Books & periodicals	1,009	939
Croceries & cartlaries	3,440	3,440
O&M mobilization fees	5,582,249	
Depreciation	-	289,068
Electricity & Wasa Expenses	-	119,246
Entertainment	7,724	7,724
Environment Expenses	94,525	25,000
EOI application fees	-	300,000
Fooding Expenses	98,425	45,586
Foreign Technicians Fees	162,718	162,718
Form Fees & Stamps	2,587	920
Fuel Expenses	808,692	563,103
Generator Charge	73,950	25,000
Income Tax	5,000	-
Insurance Premium	576,197	1,875
Insurance Premium Vehicle	51,183	36,900
Legal Expenses	33,908	33,908
License Fee	1,000,000	500,000
Office Expenses	7,070	7,070
Office Rent	517,413	354,913
Office Stationery		134,146
Operating & Maintanance Fees	9,698,849	-
Other Expenses	56,772	55,625
Photocopy Expenses	2,804	-
Postage & Courier	4,003	3,953
Printing & Stationery	180,302	-
Registration & Renewal	166,166	136,290
Registration & Renewal -Vehicle	11,038	-
Repair & Maintanance -Furniture & Fixture	62,600	62,600
Repair & Maintanance Office	133,006	76,285
Repair & Maintanance -Office Equipment	31,706	16,370
Repair & Maintanance -Plant	34,136	-
Repair & Maintanance -Plant (Gardening)	101,295	-
Repair & Maintanance -Vehicle	365,952	198,528
Request for Proposal Expenses	300,000	-
Salary & Wages	4,270,300	2,680,175
Seurity & Services Charge	1,036,863	149,800
Staff Welfare Expenses	9,950	9,150
Survey Fees	10,000	10,000
Tax Assessment Expenses	70,000	-
Telephone, Internet & Fax	245,067	157,556
Travelling & Conveyance-local	40,125	24,599
Utility Expenses	186,725	-
<b>Total</b>	<b>27,610,812</b>	<b>7,333,502</b>

**R.A.K. POWER PVT. LTD.****Notes to the accounts for the year ended 31 December 2008**

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
<b>6 Work in Progress: TK.343,172,623</b>		-
Financial Cost (Note 6.1)	38,764,519	4,284,343
Capital Work in Progress(Note 6.2)	304,408,104	5,885,429
Total	343,172,623	10,169,772
<b>6.1 Financial Cost: Taka 38,764,519</b>		
Interest on Short term Loan	4,284,034	1,201,854
Interest on Term loan of HSBC & SCB	34,682,782	3,142,298
Interest on SCB OD	6,402	5,676
Interest on HSBC OD	7,085	51
Interest Income on HSBC & SCB	(215,784)	(65,536)
Sub Total	38,764,519	4,284,343
<b>6.2 Capital Work in Progress: Taka 304,408,104</b>		
WIP Factory Building	9,243,657	3,001,599
WIP Gas Pipe Line	3,757,930	2,883,830
WIP Plant & Machinery	268,795,320	
WIP Electric Installation	15,486,197	
WIP Errection of Machinery	7,125,000	
Sub Total	304,408,104	5,885,429
<b>7 Capital Goods in Transit: Taka Nil</b>		
Value of Genset	-	224,772,790
Bank Gharge	-	1,606,916
Insurance Premium	-	1,586,198
Total	-	227,965,904
<b>8 Non Current Receivable: Taka 4,426,268</b>		
Security Deposit Grameen Phone	2,000	2,000
Security Deposit Titas Gas	4,412,500	3,810,400
Value Added Tax (VAT)	-	302,394
Deposit against Bank Guarantee to Titas	-	7,620,800
Advance Salary	11,768	-
Total	4,426,268	11,735,594
<b>9 Inventories in Transit : Taka 204,758</b>		
LC Opening Charge	60,892	-
Bank Charge	2,536	-
Insurance Premium	141,330	-
Total	204,758	-
<b>10 Other Receivables : 10,250,493</b>		
Adv. Against Goods Local		
Siemens Bangladesh Ltd	-	5,895,833
Adv. A/c Payable Services	-	-
Insurance Premium	311,073	-
Dipon Gas Co. Ltd	2,725,920	1,935,200
Consumers Gas Services	7,213,500	2,500,000
Total	10,250,493	10,331,033
<b>11 Advance Against Capital Item : Taka 732,160</b>		
RAK Ceramics (BD) Ltd		426,272
Mobil Jamuna Lubricants Ltd.	-	-
	732,160	-
Total	732,160	426,272

**R.A.K. POWER PVT. LTD.**
**Notes to the accounts for the year ended 31 December 2008**

			Amount in Taka	
			As at 31-Dec-08	As at 31-Dec-07
<b>12</b>	<b>Cash And Cash Equivalent : Taka 6,482,673</b>			-
	Cash in hand		92,026	53,468
	Cash at Bank (Note-12.1)		30,250,205	495,218
			30,342,231	548,686
	Less Long term deposits with an original maturity greater than one year or held under lien		23,859,558	-
			6,482,673	548,686
	Less Book Overdraft		4,836,705	592,908
			1,645,968	(44,222)
<b>12.1</b>	<b>Cash at Bank : Taka 30,250,205</b>			
	HSBC STD A/c no. 001-107580-067		707,931	495,218
	SCB Current A/c 01-3767272-01		976,149	
	SCB Fixed Deposit A/c 93767272		23,086,558	
	HSBC Bank Term Deposit		773,000	
	SCB Cal Deposit A/c no. 02-3767272-01		4,706,567	
			30,250,205	495,218
<b>13</b>	<b>Share Capital : Taka 10,000</b>			
	Authorized Capital			
	10,000,000 ordinary shares of Tk.100 each		1,000,000,000	1,000,000,000
	Issued, Subscribed, Called & Paid up Capital:			
	100 ordinary shares of Tk.100 each		10,000	10,000
	Particulars of share-holdings are as follows:			
	Name of Shareholders:	No. of Shares	Per share	
	RAK Ceramics (Bd) Pvt Ltd	57.00	100.00	5,700
	Mr. SAK Ekramuzzaman	28.00	100.00	2,800
	Mr. Syed Anwaruzzaman	10.00	100.00	1,000
	Mr. Mohd. Amir Hussain	5.00	100.00	500
		100.00		10,000
			10,000	10,000
<b>14</b>	<b>Share Money Deposit: 165,497,200</b>			
	RAK Ceramics (Bd) Pvt Ltd		116,600,000	49,600,000
	Mr. SAK Ekramuzzaman		33,897,200	16,497,200
	Mr. Syed Anwaruzzaman		15,000,000	7,000,000
	Mr. Mohd. Amir Hussain		-	-
			165,497,200	73,097,200
<b>15</b>	<b>Long Term Loan : Taka 181,127,451</b>			
	Term loan from HSBC Bank		128,627,451	167,037,037
	Term Loan from SCB Bank		52,500,000	-
	Total		181,127,451	167,037,037



**R.A.K. POWER PVT. LTD.****Notes to the accounts for the year ended 31 December 2008**

	Amount in Taka	
	As at 31-Dec-08	As at 31-Dec-07
<b>16 Trade and other Payable: Taka 16,538,182</b>		
Trade Payables (Note 16.1)	3,956,624	-
Other Payables ( Note 16.2)	12,581,558	1,453,750
Total	16,538,182	1,453,750
<b>16.1 Trade Payables : Taka 3,956,624</b>		
A/c Payable Goods Import	2,075,843	-
Services	2,486,475	-
Inter company payable	(624,894)	-
Supply of Materials	19,200	-
Sub Total	3,956,624	-
<b>16.2 Other Payables: Taka 12,581,558</b>		
Security Deposit	2,399,438	558,437
Sundry Creditors	10,000,000	-
Tax & VAT deducted at source	182,120	347,981
cleaning incharges salary	-	2,000
Insurance Premium	-	531,512
Security & Cleaning Service Charge	-	13,820
Sub Total	12,581,558	1,453,750
<b>17 Current Portion of Long Term Loan: Taka 65,735,294</b>		
Installment of HSBC LTL	48,235,294	37,962,963
Installment of SCB LTL	17,500,000	-
Total	65,735,294	37,962,963
<b>18 Provision for Expenses and other Charges: Taka 46,500</b>		
Professional Charges	35,000	10,000
Generator Charge	-	5,000
Telephone & Internet Bill	6,500	9,838
Utility Bill	2,500	447
Gas (Office)	160	-
Provision for Other Charges	2,340	-
Total	46,500	25,285
<b>19 Book Overdraft: Taka 4,836,705</b>		
HSBC Bank CD A/c 011-107580-011	257,914	87,330
SCB CD A/c-01-3767272-01	2,274,391	505,578
SCB Int. Collection A/c 14-3767272-02	2,304,400	-
Total	4,836,705	505,578

### Auditors' Report under Section 135(1), Para 24(1) of Part – II of Schedule III to Companies Act 1994 of RAK Power Pvt. Limited

As required under section 135 (1), Para 24(1), Part – II of Schedule III to Companies Act 1994, R A K Power Pvt Ltd prepared the following statements of its assets and liabilities, operating results and cash flows for the period/years ended 31 December 2008, 2007, 2006, 2005 and 2004 and submitted those to us for our working and for issuance of our confirmation thereon.

We, accordingly, have reviewed the relevant audited financial statements and hereby confirm that the following information has been correctly extracted from those audited financial statements:

#### (A) Statement of Assets and Liabilities:

	Amounts in Taka				
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>ASSETS</b>					
Non-Current Assets					
Property, plant and equipment	16,761,806	11,467,410	221,969	246,632	-
Preliminary expenses	194,415	194,415	194,415	194,415	-
Pre-Operating expenses	27,610,812	7,333,502	2,807,115	1,112,933	-
Work in progress	343,172,623	10,169,773	-	-	-
Capital goods in transit	-	227,965,904	-	-	-
Non-current receivables	4,426,268	11,735,594	2,000	2,000	-
Bank deposit (initial maturity > 1 year)	23,859,558	-	-	-	-
Total Non-Current Assets	416,025,482	268,866,598	3,225,499	1,555,980	-
Current Assets					
Inventories	204,758	-	-	-	-
Other receivables	10,250,493	10,331,033	-	-	-
Advance against capital item	732,160	426,272	-	-	-
Advance income tax	95,766	6,554	-	-	-
Cash and cash equivalents	6,482,673	548,686	18,571	215,595	-
Total Current Assets	17,765,850	11,312,545	18,571	215,595	-
Total Assets	433,791,332	280,179,143	3,244,070	1,771,575	-

	Amounts in Taka				
	As at				
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>EQUITY AND LIABILITIES</b>					
Capital and Reserves					
Share capital	10,000	10,000	10,000	10,000	-
Share money deposits	165,497,200	73,097,200	1,490,000	1,490,000	-
	165,507,200	73,107,200	1,500,000	1,500,000	-
Non-Current Liabilities					
Long term loan	181,127,451	167,037,037	-	-	-
Total Non-Current Liabilities	181,127,451	167,037,037	-	-	-
Current Liabilities					
Trade and other payables	16,538,182	1,453,750	1,736,920	200,000	-
Current portion of long term loan	65,735,294	37,962,963	-	-	-
Provision for liabilities and charges	46,500	25,285	5,000	71,575	-
Other current liabilities	-	-	2,150	-	-
Book overdraft	4,836,705	592,908	-	-	-
Total Current Liabilities	87,156,681	40,034,906	1,744,070	271,575	-
Total Equity and Liabilities	433,791,332	280,179,143	3,244,070	1,771,575	-

**(B) Statement of Operating Results:**

The company was under project implementation stage as on December 31, 2008. No operating activities took place. Hence operating statement not provided for.

Dhaka, Bangladesh  
Dated, 15 October 2009

Sd/-  
K. M. HASAN & CO  
Chartered Accountants

**(C) Statement of Cash Flow:**

	Amounts in Taka				
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	-	-	-	-	-
Cash paid to suppliers and employees	(46,908,345)	(27,959,803)	(1,472,495)	(271,575)	-
Net cash from operating activities	46,908,345	27,959,803	1,472,495	271,575	-
<b>Cash Flows from Investing Activities</b>					
Acquisition of property, plant and equipment	(5,294,396)	(11,245,441)	24,663	(246,632)	-
(Increase)/Decrease in capital work-in-progress	(333,002,850)	(14,696,160)	-	-	-
(Increase)/Decrease in capital goods in transit	227,965,904	(227,965,904)	-	-	-
(Increase)/Decrease in non-current receivables	7,309,326	(11,740,148)	-	(2,000)	-
(Increase)/Decrease in Preliminary expenses	-	-	-	(194,415)	-
(Increase)/Decrease in Pre-operating expenses	(20,277,310)	-	(1,694,182)	(1,112,933)	-
Net cash used in investing activities	(123,299,326)	(265,647,653)	(1,669,519)	(1,555,980)	-
<b>Cash Flows from Financing Activities</b>					
Long term loan	14,090,414	167,037,037	-	-	-
Advance against capital	(305,888)	(426,272)	-	10,000	-
Share money deposit	92,400,000	71,607,200	-	1,490,000	-
Net cash used in financing activities	106,184,526	238,217,965	-	1,500,000	-
Net Increase in Cash	29,793,545	530,115	(197,024)	215,595	-
Opening cash and bank balances	548,686	18,571	215,595	-	-
Closing cash and bank balances	30,342,231	548,686	18,571	215,595	-

**(D) Dividends**

Details of dividends declared by the Company for the above period/years are as under:

Cash dividend	-	-	-	-	-
Stock dividend	-	-	-	-	-

Sd/-

 Dhaka, Bangladesh  
 Dated, 15 October 2009

 K. M. HASAN & CO  
 Chartered Accountants

## Trend Setters

### Director's report to the Shareholders of RAK Power Pvt. Limited

The directors are pleased to present their report on the activities of the company together with the Audited Accounts of the company for the year ended December, 31 2008.

#### **Project Status:**

The plant has been commission and under trial run generation. The company has applied with Department of Environment for necessary certification; Commercial Operation will be started accordingly.

#### **Financing:**

The cost of project incurred till the year ended December 31, 2008 was BDT 450.00 million financed by Equity and debt ratio is 40:60 amounting to BDT 165.50 and 246.90 millions respectively. Equity contribution BDT 39.50 will be utilized by end of February 2009.

#### **Auditors:**

M/S. K.M. Hasan & Co., Chartered Accountants, retires and offers themselves for reappointment as auditors for the year ending December 31, 2009.

#### **Appreciation:**

The Board of Directors would like to sincerely thank all the valued shareholders, statutory authorities and concerned commercial banks. The Chairman, on behalf of the Board, deeply appreciates all the dedicated and hard working board members, company's executives, staffs and workers for their commitment to the development of business.

The company is committed to do its best against all odds to achieve business targets and sincerely looks forward for continuous support and co-operation of all concerned.

On behalf of the Board

Sd/-

Dr. Khater Massaad  
Chairman

Dated: January 11, 2009

# Section - XVI

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited REPORT: RR/281/09

Address:  
CRISL  
Nakshi Homes  
(4th Floor),  
6/1A, Segunbagicha,  
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Tel: 7173700-1  
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Email: [crisl@bdonline.com](mailto:crisl@bdonline.com)

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Sk.Md.Lutful Kabir  
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Akram H Siblee  
[siblee@crislbd.org](mailto:siblee@crislbd.org)

Entity Rating:  
Long Term: AA+  
Short Term: ST-1  
Outlook: Stable

Rating based on financials  
of  
1H 2009

RAK CERAMICS  
(BANGLADESH) LIMITED

PRINCIPAL ACTIVITY  
Tiles and Sanitary Ware  
INCORPORATED ON  
November 26, 1998

BOARD CHAIRPERSON  
Dr. Khater Massaad

MANAGING DIRECTOR  
S.A.K. Ekramuzzaman

EQUITY  
Tk. 2,342.26 million

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. The Long Term and Short Term Ratings of the company are valid for one year and six months respectively. After the above periods, these rating will not carry any validity unless the company goes for rating surveillance.

	Long Term	Short Term
Entity Rating	AA+	ST-1
Outlook	Stable	
Date of Rating	August 06, 2009	

### 1.0 RATIONALE

CRISL has assigned “AA+” (pronounced as double A plus) rating in the Long Term and “ST-1” rating in the Short Term to RAK Ceramics (Bangladesh) Limited (hereinafter referred “RAKCBL”) based on financials and other relevant quantitative and qualitative information. The above ratings have been done on the basis of its good fundamentals such as sound equity based capital structure, strong operational and strategic support from parent, State-of-The-Art production facilities, good debt servicing coverage, outstanding business growth, strong brand image, global outlook etc. However, the ratings are constrained by limited delegation to local management, significant working capital requirement due to low inventory turnover, limited modern HR practice, recent fall in cost efficiency etc.

Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile without significant problems. Risk factors are modest and may vary slightly from time to time because of economic conditions. The short term rating indicates highest certainty of timely repayment of obligation. Short-term liquidity including internal fund generation is strong and access to alternative sources of fund is outstanding. Safety is almost risk free like Government short-term obligations.

RAKCBL has been operating with good profitability and sustained stability in revenue. With substantial operational and technical support from the

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

parent it has build a strong brand image and captured 25% of local tiles market and 60% of sanitary ware market. State-Of-The-Art production facilities, diversified product portfolio and market leadership are considered as competitive advantages for the company. Due to its rapid growth over last eight years, the revenue of the company reached to Tk. 3,247.99 million in FY2008 (Tk. 1,910.35 million in 1H of FY2009) from Tk. 2,335.39 million in FY2007 registering 39.08% growth. The after-tax profit reached to Tk. 286.40 million in FY2008 (Tk. 142.46 million in 1H of FY2009) from Tk. 302.57 million in FY2007. The sound equity base (87.92% contribution in capital employed) with low financial leverage made its capital structure stronger.

Local management operates with low business and financial delegation compared to large business size. 6% royalty payment on sales revenue annually imposed fixed financial burden on the company. Small scale HR development and limited growth potentiality of local employees at top tier management reflects moderate HR practice in the company.

CRISL also viewed the company with “Stable” outlook and believes that RAKCBL will be able to maintain its good fundamentals in the foreseeable future.

## 2.0 CORPORATE PROFILE

### 2.1 The Genesis

RAK Ceramics (Bangladesh) Limited (hereinafter called ‘RAKCBL’); a subsidiary of RAK Ceramics PSC, UAE was incorporated on 26 November, 1998. Initially RAKCBL was established as private limited company, later, the company was converted into public limited company on 10 June, 2008. RAKCBL is 90% owned subsidiary of RAK Ceramics PSC, UAE and the balance 10% is being owned by local sponsor Mr. S.A.K. Ekramuzzaman. In year 2000 it has begin with Tk.750 million authorized capital & Tk.330 million paid up capital, going forward due to expansion plans in 2005 paid up capital increased to Tk. 648.40 million. On completion of second expansion phase & pre-IPO requirement at YE2008 Company decided to issue bonus share to enhance paid up capital to Tk. 1,296.80 million. The company commenced commercial operation in late 2000 and by the end of 2008 it has established itself as the market leader in high quality ceramic wall tiles, floor tiles, gres porcellanato and sanitary wares. At present, the company produces around 22,000 square meters (236,720 square feet) of tiles and over 2500 pieces of sanitary wares per day. Most

90% Subsidiary of RAK  
Ceramics (UAE)

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

of the production is absorbed by local market and the rest is exported to UAE. Globally, RAK Ceramics with its wide variety tiles and sanitary wares product range, has reached to more than 135 countries across the five continents. The company demonstrates active presence in the most competitive European markets and sells high volumes in the GCC countries, Far East, Australia, USA and Canada.

In the year 2000, RAKCBL commenced production with first tiles manufacturing plant of capacity 8,000 square meters (86,080 square feet) per day. Later in 2004, it has approached 1st phase of sanitary wares plant with capacity of 1,000 pieces per day & second tiles plant of additional manufacturing capacity of 7,000 square meters (75,320 square feet) per day. In the year 2007 & 2008, it has approached 2nd expansion phase with extending sanitary wares capacity with additional 1,000 pieces per day and third tiles plant with additional capacity of 7,000 square meters (75,320 square feet) per day. Looking forward to market potential & demand in the beginning of 2009, sanitary wares capacity was increased by another 500 pieces per day. RAKCBL has demonstrated rapid growth since its inception. During last 8 years (2001-2008), turnover excelled to more than Tk. 3.00 billion, RAKCBL has achieved consistent growth in revenue & profits, It's revenue & profits grew at a Compounded Annual Growth Rate (CAGR) of 33.26% & 26.83% respectively as compared to 8.4% per annum industrial production growth rate of Bangladesh. The corporate office is located at RAK Tower, Uttara, Dhaka. The company has planned to go public through IPO during 2009. The proceeds from IPO will be utilized, partially, to payoff the term loan and the balance will be deployed for ongoing group working capital requirement.

*Market leader in tiles  
and sanitary ware  
industry*

### 2.2 Products and Market Position

RAKCBL, a product driven company rather than market driven, over the period Tiles has captured over 1/4th share of market and in short span of 4 years sanitary ware has gained more than 2/3rd of market through innovative product development initiatives and proactive quality control program. RAKCBL has over 1000 models active in ceramic & porcelain tiles, and it regularly adds new designs to its product portfolio as per market demand or taste trends. The Company manufactures tiles in wide range of sizes from 12 cm x 12 cm to 60 cm x 60 cm. Under "ceramic tiles" range, the company produces wall tiles, floor tiles, matching accessories listellos, pencils, cappings, border and décor tiles. In "gres procellanato" tiles category, it produces thousands sub-categories of glazed and unglazed porcelain, salt and pepper (mirror polished and unpolished), soluble salt (mirror polished) and double charge (mirror polished) tiles.



### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

The Company has over 40 exclusive sanitary ware models to offer with a wide choice in designer bathroom sets, wash basins, bathtubs and related items. Under sanitary ware division, RAKCBL produces wash basin (mounted and pedestal), water closets (WC), bidets, water tank, kitchen sinks and related accessories & decorated sets. Some of the popular sanitaryware models are- Amanda, Venice, Mistral, Shino, Jumeirah etc.

RAKCBL has mostly professional & brand conscious clientele base of over 500 developers, network of 98 distributors, reputed 250 consultants & housing related Government agencies who believe in branded product, which is better than international technical standards e.g. in terms of water absorption international standard is  $<0.5\%$ , RAKCBL standard in case of polish/ unpolished is  $<0.05\%$ , rectangularity international standard is  $\pm 0.6\%$ , RAKCBL standard in case of polished/ unpolished is  $\pm 0.2\%$ / $\pm 0.4\%$ .

### 3.0 RAK Group in Bangladesh

Gradually RAK Group has diversified its business portfolio to different strategic business segments to demonstrate its potential and explore the opportunities. At present, RAKCBL has two subsidiaries and one associated company. RAK Power Pvt. Ltd. (RAKPL), a 10 megawatt capacity Natural Gas fired captive power plant was incorporated with a view to provide uninterrupted electricity to RAKCBL. Ownership structure is 57% owned by RAKCBL and remaining 43% by local investors In May, 2009 it has started operation with 60% capacity utilization.

RAK Pharmaceuticals Pvt. Ltd. is another 55% owned subsidiary of RAKCBL. The company was established with a view to produce all kind of biological and non-biological medicine, vaccine and conduct research and development work in pharmaceutical products, biotechnology and biomedical sciences. Plant establishment and infrastructural development is completed and commercial operation started in July 2009.

RAK Security and Services Pvt. Ltd. is 35% owned associated company of RAKCBL. In May, 2007 the company has started formal services of supplying and training of security guards to different commercial establishments. The company is also providing services in the area of cleaning, termite, pest control, fumigation and setting up manpower technical training establishments for creation of skilled workers.

Diversified in  
Pharmaceuticals, power  
and security industry

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

*A leading global tiles  
and sanitary ware  
producer*

Other than above ventures, RAKCBL has several investment proposals in hand namely, Food and Beverage manufacturing and Professional Porcelain table ware venture, a paint manufacturing facility, Insecticide & pesticide venture etc.

### 4.0 PARENT PROFILE: RAK CERAMICS PSC, UAE

#### 4.1 The Company

Ras Al Khaimah (RAK) Ceramics Public Shareholding Company, (RAKC, PSC) is a UAE based leading tiles and sanitary ware manufacturing company in the world. Established in 1989 and started production in 1991, at its State-Of-The-Art facility at UAE location the company has manufacturing capacity of around 225,000 square meters (2.42 million square feet) of tiles per day and over 8,500 pieces of sanitary ware per day, which is known as largest manufacturing capacity at single location in the world. The company's total global production capacity reached to 115 million square meters (1,237 million square feet) per annum which is recognized them as leader in ceramics world.

The company was listed on Abu Dhabi stock market (ADX) in October'2003. The paid up share capital of the company was Dhs 52.50 million up to August 1998, current share capital (1H2009) is AED 614.2 million (US\$ 167 million). The founding shareholders includes H.H. Sheikh Saud Bin Saqr Al Qassimi, the Crown Prince and Deputy Ruler of Ras Al Khaimah, one of the emirates of United Arab Emirates, He also acts as the Chairman, Top ten shareholders hold over 75% of shares in RAK Ceramics PSC. Dr. Khater Massaad the Chief Executive Officer of the company has devised global market strategy & implemented the company's global expansion plans. The company is highly regarded for its consistence performance, in stock market it well noted as traditionally strong script for an average of over 20% dividend record. The company has started first plant in 1991 with production capacity of 5,000 square meters (53,800 square feet) tiles a day and over two decades it has reached capacity of 225,000 square meter (2.42 million square feet) tiles a day and 8,500 pieces of sanitary ware a day. RAK Ceramics PSC is having manufacturing facilities in in Bangladesh, China, Sudan, Iran and India. RAK-UAE's products are exported to more than 135 countries over five continents across the globe. The company has over 18 years operating history, established a diversified global customer base, over 90 showrooms & more than 1500 distributors globally, several subsidiaries and depots all over the world engaged in marketing & distribution of company's products. Some of the well known

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

trend setter specialty series-Technoslate, Al Hamra (Inspired by Al Hamra Palace), Samarkanda, Luminos (tile which glow in dark), Anti-microbial (inhibits the growth of microbes and reduces micro bacterial contamination), Seine, Domus, click tile and very latest RAK Slim . In 2009 it has formally introduced “Elegance” brand for elite & luxury class clientele. RAK Ceramics milestone summary as follows:

- In 1997, RAK Ceramics was awarded the ISO 9001 Certification evidencing its commitment to high quality standards and customer satisfaction.
- RAK Ceramics was adjudged as “Company of the Year” by Arabian Business Achievement Award for 2004.
- In 2005; RAK Ceramics was awarded the Mohammed Bin Rashid Al Maktoum Business Excellency Award for the Industry sector.
- In 2006, RAK Ceramics was rated ‘5A2’, highest in the region of Middle East, by Dun & Bradstreet.
- In 2007, UK based Brand-Finance PLC rated the RAK Ceramics brand as one of the top four valuable brands in the UAE with a rating of ‘AA-’ with brand strength valuation of AED 0.5 billion.
- In 2008, a Washington DC, USA based Georgetown University has selected RAK Ceramics as subject of pedagogic case to form part of their course material for global manufacturing studies in MBA programme curriculum.
- RAK Ceramics has been awarded the “SUPER BRAND for 2009” by the council of SUPERBRANDS which is the world’s largest independent Brand arbiter.

RAK Ceramics ensure safe and healthy working environment as well as to demonstrate continual compliance with the requirements of ISO 14001:2004, & also comply with all local environmental compliances as well as IFC –World Bank Industrial finance body’s proactive international environmental compliance program.

As part of expansion and diversification drive, to address value chain opportunities and costs by partnering with established players in niche markets RAKC, PSC UAE engendered into several strategic business units. It has established a number of related integrated subsidiaries in the area of tile fixing technology, professional tableware range, ceramic and refractory mineral sourcing and processing activities, ceramic industrial chemicals

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

manufacturing, construction materials, sanitary ware accessories, industrial infrastructure expertise related construction & contracting ventures, real estate development, ceramics tiles distribution marketing set up, logistics and freight forwarding chain.

In the GCC market, no other company has competing profile, product range or brand equity. RAK Ceramics' key competitive advantages include:

- Technology and product leadership
- Brand positioning
- Ability to deliver wide range of customer requirements at lower service costs
- Established infrastructure and delivery capabilities

### 4.2 Infrastructure and Technology

The factory compound of RAK Ceramics, PSC UAE is extending over an area of 2.5 million square meters consisting of 12 State Of Art plants, raw material warehouses, CNC workstations, showrooms, office building, R&D laboratories, silkscreen and photo-printing facility. The plants are equipped with one of the longest kilns & largest press in the world. Sophisticated water jet machines are used to create various designs and patterns, rot matrix color decoration machines that give tiles natural perfect prints and diamond cutting machines used in the production of special items like vanity and kitchen tops. The technology incorporated by the company has been very latest in its field. The company has over 6000 active models in the ceramic and porcelain tile segment & over 600 active sanitary ware models. It has dynamic manufacturing flexibility to produce smallest mosaics of size 2 cm x 2 cm and tiles of 10 cm x 10 cm to the largest slab in the industry 125 cm x 185 cm. Due to consumer taste driven approach, continuous product development and product innovation, value for money proposition the company adds several new designs almost every week to the product portfolio.

The strength of RAK Ceramics lies in the speed with which it has met market expectations. It has invested heavily and regularly, to produce products that stand out in the market, for developing some of the most luxury models.

RAK Ceramics has invested heavily in sophisticated technologies in the area of Twin Press, Techno Slate, Color Dry Press & Dry glaze machine, Roll Feed, Double Charge, Glazed Before Pressing, Full Mass Products and Roto printing machines.

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

Few technology achievements highlight:

- The largest press in the ceramic industry - the PH 7200 to produce slabs of 120 cm x 180 cm
- One of the longest kilns in the world for outstanding product quality, uniformity & consistency.
- TSC Microns dry granular application machinery for very unique surface effects.
- Rotocolor printing- Silicon engraved cylinders for high definition, synchronized, natural look printing.
- Robot controlled movable silos carried by TGV Machines.
- Sophisticated CNC cutting tools to make value added products like water jet designs and vanity tops.

#### 4.3 Financial Strength

In FY2008, RAK Ceramics -PSC UAE consolidated revenue reached to the level of AED 2,814.72 million (US\$ 766.22 million). During last eight years revenue & profits have shown consistent growth. Revenues & profits grew at a Compounded Annual Growth Rate (CAGR) of 21% & 10% respectively over period of 2001 thru 2008 as compared to about 6% per annum global industry growth rate. As of December'2008, asset base of the group reached to AED 4,531.88 million (US\$ 1.24 Billion) grew at a Compounded Annual Growth Rate (CAGR) of 20.2% since its inception. Production and marketing capacity have increased at a CAGR of 16% to reach a position of world's largest ceramic manufacturer. The company has a well diversified revenue base with 71% revenues from exports outside the UAE (of which 43% in GCC countries and other Asian region and 18% revenues from Europe) as part of company's strategy to diversify market risks. The Group continues to remain satisfactorily levered, with debt-equity ratio of 1.07 times. Though tiles industry is highly capital intensive, at YE 2008 RAK-Ceramics, PSC, UAE has generated 7.7% return on capital employed.

#### 5.0 PRODUCTION FACILITIES

The technology driven tiles and sanitary ware manufacturing set-ups are prone to be highly capital intensive. RAKCBL has established its factory compound in Gazipur occupying 98.86 bigha (around 1.42 million square feet) of own land. The factory compound is comprised of separate sheds for tiles operation, sanitary ware operation, separate storage facilities for finished stock of tiles and sanitary wares, storage facilities for raw material, stores and consumable stores, design and printing lab, administrative

Sound production facilities

3 Lines of production with capacity of 22,000 sq mt per day

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

*Production capacity of 2500 pieces per day*

building and residential quarters for factory officials. The production facilities are supported by 6 megawatt captive power plant of RAK Power (Pvt.) Ltd., a subsidiary of RAKCBL. The packing materials for both tiles and sanitary products are sourced locally. The company has also established in-house quality control and testing laboratory for both tiles and sanitary ware production.

### **Tiles Production Facilities:**

RAKCBL's extensive new and modern tile plant is a candid example of modern technology. The tiles plant is having versatile five press, long range five kilns and multi purposes eight ball mills. The automated and integrated plant sourced from the Italian manufacturer 'Sacmi IMOLA'. This ceramic tile plant makes every RAK tile a top-notch quality, passionate looks, great finish and lasting endurance. The production facilities of tiles division are set up on 43 bigha (around 0.61 million square feet) of land consisting of three line of production. First line was set up in the year 2000 with capacity of 8,000 square meters (86,080 square feet) per day. Later on the production capacity was increased by setting up of second line in 2004 and third line in 2007 each with capacity of 7,000 square meters (75,320 square feet) per day. Plant with total 22,000 square meters (236,720 square feet) per day tiles production capacity operated at 86% and 88% utilization in 2008 and 2007 respectively. Out of RAKCBL's total tiles production capacity 60% is covered with Gress Porcellanato tiles portfolio and 40% tiles production capacity is covered with Ceramic tiles portfolio. Major raw material inputs used are imported materials namely soda feldspar, potash feldspar, Malaysian clay, Indonesian clay, frit etc which are sourced from India, Indonesia, Malaysia, Spain and Thailand. RAKCBL uses locally sourced materials like ball clay (red), red clay, sodium silicate, Sherpur clay, Sylhet sand etc.

### **Sanitary Ware Production Facilities:**

The State- Of- The- Art modern production plant of sanitary ware set up on 21 bigha (around 0.30 million square feet) of land with production capacity of 2500 pieces per day. The plant is equipped with latest European technology including computerized kilns, 12 medium pressure casting plants for wash basins, pedestals, cisterns, lids and accessories manufacturing, 4 high pressure plant to produce water closets. RAKCBL uses high quality ball clay and kaolin from UK, glazes from Spain and strain from Germany for sanitary ware production. This plant initially started with capacity of 1,000 pieces per day in 2004 and later the capacity enhanced by another 1,000 pieces per day in 2007 and in early 2009, capacity has further enhanced by 500 pieces. Throughout last three years Sanitary Ware plant has been running successfully with 100% capacity utilization.

42 Dealers for tiles and  
56 Dealers for sanitary  
ware

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

#### Quality Control System:

RAKCBL has devised its own quality norms for its operations which are better than generally accepted best quality norms followed by reputed players in the ceramics sector. The quality control system implemented from input sourcing stage to final packing & dispatch trail. The quality management systems that RAK Ceramics' operates is comply with the highest standards of leading institutions throughout the world. The Company has several leading certifications that not only stand testimony to meet and comply with stringent standards, but also represent a universal endorsement of the quality of the products manufactured. To name few-ISO 9001 : 2000 issued by the BVQI,-"WaterMark" license, -"Standardsmark License" for sanitarywares,-"SETSCO" certificate of recognition,-"Insitut Szkla I Ceramiki"- "CSTB".

#### 6.0 DISTRIBUTION AND PROMOTION

By considering tiles and sanitary ware products as luxury items, RAKCBL has established its strong presence in major cities and urban areas through neatly tied & widespread dealership network. At present it has 42 dealers for tiles product and 56 dealers for sanitary ware products. Other than dealers, throughout the country company has a set up of 4 information and display centers equipped with marketing tool kits to encourage & aware the customers, professional clients to acquaint them with the information regarding product features, new arrivals and product availability live database. As part of company's consumer sovereignty policy for local doorstep distribution logistic support, it has formed local transporters pool. Normal global tiles inventory holding period is 45 days, in case of RAKCBL on an average it use to be 15 days of production, Even though company does not actively engages itself in routine distribution channel due to tech-savy, consumer taste driven, modern features of products & value for money Proposition company has achieved unique position in the market. As a result of the 'let the product tell' strategy, promotional activities and costs are limited to sample distribution, dealers rebate and incentives.

The marketing team follows the market requirement, campaign for awareness of new product particularly with developers, architects and consultants. Company introduced new models regularly with the consultation of developers, architects and consultants, which match with the customer's choice and satisfaction. The company appoints a PR company to assist in promotional activities. RAKCBL respect the customers and motto is to pay the value of money.

Get technical know how  
from parent

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

*Growing sector with ample opportunity*

Company sales department maintains customer's complaint booklet at its showroom to know the feedback from customers for quality assurance towards customer satisfaction. Company arranges the dealers meeting at reasonable periodicals to understand the market updates and future plans of market demand & related developments.

### 7.0 BUSINESS RELATION WITH PARENT

Though RAKCBL is an independent business entity in Bangladesh, it gets significant support from its parent company RAK Ceramics PSC, UAE under 'Technical Know-How and Assistance Agreement'. Under this agreement, the parent company provides entire technical know-how and assistance in production, testing, safety and quality control. For any further expansion the parent company provides assistance & advisory in terms of technology, capital machineries, civil works support and pre-operating testing. The agreement also covers the areas to provide assistance by way of making available patented process and ensuring the right to avail of technical information resulting from R&D, providing technical assistance in management, marketing and assistance in all other technical matters. As per the agreement, RAKCBL pays a recurring royalty fee and other expenses such as expenses for technical know-how for each year subject to 6% calculated on the basis of net sales of the preceding year. Other than the technical agreement, the parent company also provides assistance regarding raw materials sourcing, business development, governance and any other matter as and when needed. RAKCBL has adopted business policy, innovation, quality control, diversification, expansion with similar vision of parent company. On quarterly basis Corporate Management Governance team from UAE visits for performance review & assessment. Every six month at corporate office, Operational performance is reviewed by Corporate BODs & Governance Body.

### 8.0 INDUSTRY OUTLOOK

The history of tiles industry in Bangladesh is not very old. The first factory was set up by Bangladesh Chemical Industries Corporation, a state-owned enterprise, in 1982. Second one was Modhumoti Tiles, in 1988. RAKCBL was incorporated in year 1998 and in 2000 has started its commercial production, which has changed the face of tiles market in the country. RAKCBL has introduced modern technology and innovative tiles products which changed the customer's choice and preference. Over the period, due to technological revolution, hygiene, homogenous matters, age over pitfalls of traditional marbles & stones use of tiles became a necessity.



### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

It has become priority of literate as well as professional users segment in urban and semi-urban areas to use ceramics & homogenous tiles due to its better excelled tested & recognized norms. It has created trend in the market due to it's better than international technical parameters as to water absorption, surface flatness, linear thermal expansion, modulus of rapture, and resistance to absorption & thermal shocks etc.

Present housing demand is rapidly rising and with increasing purchasing power, people have started taking interest in premium tiles products. In the last five years, the members of the Real Estate and Housing Association of Bangladesh (Rehab) constructed the following numbers of apartment units only in Dhaka city: 2003 – 4,465 units, 2004 – 5,075 units, 2005 – 5,785 units, 2006 – 6,433 units and 2007 – 5,800 units where premium tile was used. Certain motivating drives by ruling government has boosted infrastructure, housing and real state sector.

At present 11 tiles factories are operating in the country, growing at rate of 20%, posting annual sales turnover over Tk 10 billion. According to market study, existing factories produced nearly 29.92 million square meters (322 million square feet) of tiles in 2007, up from 25.74 million square meters (277 million square feet) a year ago. Total Production within the country reached 34.75 million square meters (374 million square feet) in 2008 and it is estimated to grow at 17% in 2009 and 2010. Of the total production in 2007, RAK alone made 5 million square meters (54 million square feet) equivalent to 17%, followed by China-Bangla, Fu-Wang and Mir each slightly over 2.78 million square meters (30 million square feet).

The growth of tiles manufacturing activity is attributed by high demand and low production cost. Gas and labor accounts for 23% and 16% respectively of the total production cost, this inputs is advantage to Bangladesh over other countries. In Bangladesh per capita ceramic tile consumption is still low i.e. 0.76 square meter (8 square feet) per annum compared to 1.2 square meter (12.91 square feet) in china and 5 to 6 square meter (53.8 to 64.56 square feet) in European countries. Expecting the growing demand, a few more ceramic tiles factories are in the pipeline to enter the market in the next couple of years.

However, the growth of industry is impeding by the missing of high level of technology in Bangladesh, absence of international standard laboratory with international standard equipment, absence of government support previously, lower interest rates, looming gas crisis and open shortage of gas hits production and import duty on some specific raw materials varies from

*4 members from UAE  
and 1 from local*

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

15% to 30%. Moreover, the tile industry faces high tariff on gas. Presently, average gas tariff is Tk 2/cubic metre for fertilisers, Tk 3.5/cubic metre for gas-fired power plants and Tk 5.13/cubic metre for ceramics. In current year Budget there were certain consideration given to industries relating to ceramics & Power sector.

### 9.0 CORPORATE GOVERNANCE

#### 9.1 Board

In RAKCBL, as a 90% owned subsidiary of RAK Ceramics PSC, UAE, like other MNCs formation of Board is vested on the parent. A five-member Board of RAKCBL is chaired by Dr. Khater Massaad. He also acts as the CEO of RAK Ceramics PSC, UAE, has devised global market strategy & implemented the company's global expansion plans, being the advisor of Crown prince & Deputy Ruler of Emirates of RAK, he plays instrumental role in the area of RAK emirates investments, hospitality and tourism sector development. Among the Board members, other Board members are Mr. Hamad Abdullah Al Mutawa a UAE national, Mr. S.A.K. Ekramuzzaman, who is local shareholder director and appointed Managing Director recently. Other two nominee Directors from UAE are Mr Abdallah Massaad & Mr Manoj Aheeray. Mr. Ekramuzzaman played crucial role in establishing the factory in Bangladesh. The Board meetings were conducted from time to time either at the Corporate Office in Bangladesh or at the head quarters of the parent company at Ras Al Khaimah, UAE. In order to comply with the corporate governance code issued by SEC, Bangladesh, the company needs at least 5-member board including one independent director which is under process. The Board is supposed to form its 3-member Audit Committee including independent director. Company is in process to comply with guidelines issued by SEC, Bangladesh.

#### 9.2 Corporate Management

The operations of RAKCBL are being looked after by a highly experienced management team having multi dimensional exposures. Recently the Board of Directors of the company appointed Mr. S.A.K. Ekramuzzaman as full time Managing Director. Mr. Ekramuzzaman is aided by key persons Mr. Md. Amir Hossain as General Manager; Mr. Sangam Lal, Chartered Accountant, Finance Controller; Mr. Mahbubur Rahman, as Manager – Personnel and Legal, Mr. Imtiaz Hussain, as Manager Sales; Mr. Jahirull Reza, as Manager purchase; Mr. Govindaraju Srinivasan, as Production Manager (Sanitary Division); Mr. Henry Fernandez, as Assistant Technical Manager (Tiles Division). From the point of view of corporate internal control local delegation is limited up to Tk. 500,000, beyond Tk.500,000 it

*Experienced  
management team*

*Moderate HR practice*

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

requires Corporate office consent. For smooth functioning, the company has been conducting Managers' meeting in every month headed by General Manager. Management also formed two committees namely 'Asset Monitoring Committee', one for Tiles Division and other for 'Sanitary Ware Division'. Over and above, allied divisions Accounting, Personnel, Purchase, Sales & Marketing are looked after by experienced professional team members in respective divisions.

*Small scale transaction with parent*

*Internal control yet to be structured*

#### 9.3 Human Resource Policy

RAKCBL is in process of introducing structured HR policies. Presently, the compensation structure has been framed with the objective to attract and retain talented people in the company. In addition to compensation package, a number of policies are formulated for welfare of employees in the form of Provident Fund, Gratuity Fund, Group Insurance and medical facilities. As on 30 June 2009, total human resource strength of the company was 898 full time employees and 325 was on contract basis. HR development plan and performance evaluation system is moderate compared to other MNCs in the country. On need based basis company used to conduct in house as well as outsourced Training programs related to technical up skill & career growth. Related to managerial skill & knowledge recreation activity at different level, on the basis of proposal from Functional Head & proper assessment by Personnel & HR department, seminars & training calendar is formulated. Transition objective is to create viable local ladder at operational level with local operations more independent & standalone, to have only exceptional dependence on foreign employees.

#### 9.4 Related Party Transaction

During FY2008, export sales amounting Tk. 90.77 million (FY2007; 39.72 million) included in total sales, which were actually sales to parent. Due to lower production cost, RAK Ceramics PSC, UAE outsourced certain product range from RAKCBL. Consolidated financial statements of RAK Ceramics PSC, UAE, eventually eliminate this export from total sales as inter-company sales.

#### 9.5 Internal Control Systems

RAKCBL has yet to form separate internal audit department to ensure compliance of its Standard Operating Procedure in order to keep the company on track. However, the finance department under the close supervision of Finance Controller ensures customized internal control. Stocks and stores work under control of Finance Division and daily status sent to Head Office and update accordingly. Sales orders are issued after the approval from the accounts dept according to credit limit of dealers and

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

daily delivery notes are sent by Stock department. For every advance and purchase, requisitions are raised from respective department, which are proposed by respective department head, checked by Finance Controller and finally approved by the GM/Managing Director. Daily production status, sales, average sales realization, inventory position, fund position and borrowing position sent by the Finance Controller to CEO, RAK Ceramics PSC,UAE. Monthly financial statements are prepared within 7 days of following month and quarterly financial statements are audited by external auditors by 10 days of following month of quarter and immediately sent to parent company for consolidation purposes.

### 9.6 Management information system:

Daily production status, sales, average sales realization, inventory position, fund position and borrowing position are sent by the Finance Controller to the chairman in UAE & the Managing Director, locally. Monthly financial statements are prepared within 7 days of following month. Accordingly monthly functional review meeting is conducted by Review Committee headed by the General Manager. Target Vs Roll over plans and deviations are discussed & time line is defined for corrective/ remedial action. Quarterly financial statements are audited by external auditors and immediately sent to parent company for consolidation purposes. Before Corporate performance review presentation to UAE Board, on quarter to quarter basis, Corporate Management Governance team from UAE visits for performance review & assessment. Every six month at corporate office, operational performance is reviewed by Corporate BODs & local management.

## 10.0 RISK MANAGEMENT

### 10.1 Gas Supply Risk

Tiles and sanitary ware products need a certain standard level of temperature to get expected quality regarding color, size, surface and strength etc. Tiles products need average temperature of 11800 Celsius and sanitary ware products need on an average 12000 Celsius. RAKCBL has agreement with Titas Gas, a government enterprise for uninterrupted supply. At present, for tiles division, required standard pressure is 18-20 psi and for sanitary ware division, it is 22 psi. Presently the company is having constant supply from Titas Gas of 21.5 psi. Company has ability to tackle pressure movement scenarios in acceptable adequacy level so as not to suffer in significant manner on production or quality front. Moreover, the plant is set up with dual firing system inter-changeable with LPG in case of non-availability of natural gas.

## **Credit Rating Report on RAK Ceramics (Bangladesh) Limited**

### **10.2 Competition Risk / Market Risk**

Bangladesh has high potential for ceramic tiles market. Already 11 players are in the industry and RAKCBL is lead player in the market. However, the entry barrier in the market is not acute and several tiles companies are in pipeline to commence production in upcoming years. New competitors will create healthy competition to the company to maintain/ grow its present market share. The company will withstand competition due to its recognition as innovative technology driven products. However, in sanitary wares market, RAKCBL holds 2/3rd share, has no major domestic competition except few importers. In finance budget 2009-10, supplementary duty on imported material of tiles and sanitary has been increased to 45% from 20%, which will widen the market share of local manufacturers. In current scenario in the market, the company is placed at advantageous position.

### **10.3 Raw Material Risk**

RAKCBL sources its basic raw materials for ceramic as well as gres porcelain tiles & sanitary wares from all over the globe. Supply of these raw materials cannot be ensured locally. The company is benefited by the channels of sources raw materials through its parent company as well as it has its own sources from different countries like Italy, Indonesia, Malaysia, Spain and India. Moreover, the company recently started sourcing by own initiative from different foreign suppliers other than parent's selected suppliers. Import based supplies are likely to be affected by any uncontrollable event or country risk to transaction or political barrier. The company did not face any such uncontrollable event since its inception & is confident to have alternate arrangement at shorter notice.

### **10.4 Price Escalation Risk**

Raw material prices also exposed to risk due to volatility of currencies in the international market. During 2008 major raw materials of gress porcellanato tiles increased by about 20% and sanitary ware material price increased by about 10%, which are significantly influenced by crude oil prices having bearing on prices of freight in international market. The rise in input prices may be compensated either by increasing the selling price or by substituting the costlier raw materials with economical alternatives or with various ceramics recipes mix combination without compromising the quality. The research & development activity at group level plays consistent role in such activities. Effective material substitution eliminates the need for increasing the selling price. For last two years, the company has not increased selling price of its products.

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

*Good business  
performance*

*Highly profitable  
company*

### 10.5 Slow Moving of Inventory Risk

RAKCBL is, to some extent, exposed to risk of piling up of inventory, itself being an inevitable feature of ceramic industry across the globe. Although entire production is backed up by customer order, there is a market factor that the specific lot supplied to given customer needs to be of same shade & caliber. Since the basic inputs are natural clay & kaolin, having impact of atmospheric conditions, the shade of the output varies from lot to lot. In order to attain the objective of same shade for given lot, slightly higher quantity of 'A' class tiles or sanitary wares is normally produced and only required quantity is delivered to the customer. Remaining quantity remains in the stock till the time it gets customer order. Such small quantities are either consumed in production of decors, designs, skirting or they are sold at discounted prices. While the industry norm is inventory of 30 days in hand, RAKCBL has inventory level of 15 days of production in both tiles and sanitary wares.

### 10.6 Investment Risk

RAKCBL has already investment in some other diversified projects and contemplating more investment in other new projects. The company has so far invested Tk.363.71 million and proposed to invest in some other projects. Among the investments only RAK Security and RAK Power are already in operation and RAK Pharma has just started commercial production in July'09. RAK Power is established to provide electricity to RAKCBL, and in future any residual capacity can be utilized to other nearby industries. Pharmaceutical industry has endless demands from retail market. Although, there is stiff competition with established market players in a matured industry, RAKCBL is set to build up strong distribution network in the whole country.

### 10.7 Revenue Collection Risk

RAKCBL has a policy to sale on 45 days credit against bank guarantee. Dealers are required to submit bank guarantees against respective credit limit. Under the above, CRISL does not foresee any kind of risk regarding receivable collection and in reality the company has no bad debt or provision for doubtful debt.

### 10.8 Environmental Compliance Risk

RAK Ceramics is committed in promoting sustainable developments while doing global businesses without compromising the protection and preservation of the environment for the future generation. The organization will carry out all its business activities towards the fulfillment of customer satisfaction on the quality of products and services and ensuring safe

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

working conditions. RAKCBL has recently set up large scale Effluent Treatment Plant (ETP) to reduce environmental hazard, which started operation end of March, 2009. Company complies with Environment protection related norms of International Financial Corporation (IFC), Washington (World Bank industrial development & promotion arm). Department of Environment (DOE) has renewed environmental clearance certificate valid till year 2010. However, effective management is yet to be established by the company to dispose large volume of wastage clay and scrap of tiles.

#### 11.0 BUSINESS PERFORMANCE

Indicators	*1H 09	2008	2007	2006	2005
Fixed Asset growth Rate (%)	9.31	3.56	54.92	2.65	6.24
Sales revenue growth (%)	17.63	39.08	19.45	19.69	58.92
COGS Growth (%)	18.45	51.29	11.38	9.99	66.39
PBT Growth (%)	20.59	-13.00	55.96	222.95	1.00
Profit growth (%)		-5.35	70.01	106.28	1.00
Tiles sales volume Growth (%)		35.52	9.63	4.54	
Sanitary Ware sales volume growth (%)		54.31	24.26	18.63	

\* First Half growth of FY2009 has been annualized

Despite of FY 2008 single digit profit growth slide, over the years business performance of RAKCBL has been reflecting growth story. The turnover of the company was Tk. 3,247.99 million in FY2008 and Tk. 2,335.39 million in FY2007 resulting from the sales growth of 39.08% and 19.45% in the respective years. The growth in turnover was mainly boosted by volume growth (35.52% increase of tiles volume and 54.31% increase of sanitary ware volume). Half yearly growth of sales revenue stood at 17.63% (annualized) from 1 January to 30 June, 2009. Volume growth is reflection of 2007-08 expansion plans, in FY2007, RAKCBL has increased its annual tiles production capacity from 5.47 million square meter (58.91 million square feet) to 8 million square meter (86.40 million square feet) and respective annual sanitary ware production capacity from 365,000 pieces to 730,000 pieces. Revenue pie is mostly comprised tiles sales (75%; 2008 and 76%; 2007) followed by sanitary ware sales (25%; 2008 and 24%; 2007). In first half of FY2009, tiles sales remain the main contributor (76%) in total sales followed by 24% of sanitary wares.



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### 12.0 FINANCIAL PERFORMANCE

#### 12.1 Profitability

Indicators	*1H 09	2008	2007	2006	2005
Return on Average Assets After Tax (ROAA)%	6.30	6.67	9.00	6.76	3.30
Return on Average Equity After Tax (ROAE)%	12.68	14.47	19.30	14.34	7.66
Return on Average Capital Employed(After Tax)%	10.87	10.93	13.49	9.75	4.64
Gross Profit Margin%	28.22	28.72	34.47	29.72	23.53
Operating Profit Margin%	15.92	15.93	21.97	18.39	11.00
Net Profit Margin%	7.46	8.82	12.96	9.10	5.28
Earning Per Share(Tk.100)	21.97	22.09	23.33	13.72	6.65

\* First Half growth of FY2009 has been annualized

RAKCBL is a highly profitable company although profitability indicators depicts single digit slide in last year. Profit after tax of the company stood at Tk. 286.40 million in FY2008 against Tk. 302.57 million in FY2007 indicating a decline in net profit by 5.35%. The reason for such decline is the increased cost of sales by over 5.75% to sales as compared to the previous years. The increased costs of the goods are attributed to high raw material prices, foreign currency volatility in 2008 (USD, Euro, GBP), In case of Euro, market has seen volatility of 28.4% (high-1.5991 & low-1.2453 against USD), GBP volatility recorded at 41.8% (high-2.0335 & low-1.4392 against USD), and as over 70% of raw materials & consumables are sourced from outside countries related impact on imported raw materials has contributed to increased cost of sales. Also volatility of crude oil prices in range of \$37.71 / barrel to \$145.29/barrel has impacted international freight cost matrix of import dependent company like RAKCBL. Besides the increased costs of goods sold; the administrative and marketing expenses are in tandem with increased turnover and the interest expense of the company increased due to lending rates volatility in international and local money market which has contributed to slide in net profit of the company. The net profit during first half of 2009 amounted to Tk. 142.46 million against Tk.136.32 million in first half of 2008. Though growth in turnover was appreciable (39.08%), the gross profit margin declined to 28.72% in FY2008 from 34.47% in FY2007 as a result of higher growth of COGS (51.29%) compared to sales. High currency & international oil price fluctuations have contributed to increase of raw material cost in international market (on an average 20%), increased freight charge has contributed to higher cost of goods sold. At the same time net profit margin

Fall in cost efficiency



### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

also decreased to 8.82% resulting from logical increase in operating expenses and financial expenses. However, in the 1st half of 2009 the gross profit margin remained almost stable at 28.22% though net profit margin declined to 7.46% from 8.82% in FY2008. Tax holiday period for sanitary division expired in December, 2008, in upcoming period new tax provision will keep pressure on net profit margin.

While analyzing profitability, Return on Average Asset (ROAA) has decreased to 6.30% (annualized) at end of 1H of FY2009 and 6.67% at YE2008 from 9.00% at YE2007. RAK Ceramics tiles and sanitary ware facilities are technology driven capital intensive; moreover, significant investment in subsidiaries and increased inventory level induced to reduce return on asset. Similarly fall in net profit by 5.35% and 19.17% increase in equity (mainly retained earnings) reduced Return on Average Equity (ROAE) to 14.47% at YE2008 from 19.30% at YE2007. Though total amount of capital employed decreased, the Return on Average Capital Employed (ROACE) further declined to 10.93% at YE2008 from 13.49% at YE2007. At end of 1H of FY2009, annualized ROAE and ROCE declined marginally and stood at 12.68% and 10.87% respectively.

### 12.2 Cost Efficiency

Indicators	*1H 09	2008	2007	2006	2005
Cost to Revenue Ratio (%)	71.78	71.28	65.53	70.28	76.47
Administrative Exp to Revenue Ratio %	1.78	2.27	2.53	1.71	1.64
Selling & Distribution Cost to Revenue Ratio %	10.53	10.52	9.98	9.62	10.89
Finance Cost to Revenue Ratio %	4.03	4.35	3.65	4.17	5.72

\* First Half growth of FY2009 has been annualized

The cost efficiency (cost of goods sold to sales revenue) of the company was slightly decreased in the last few years although operational volume increased significantly. It stood at 71.78% in 1H2009 against 71.28% in FY2008 and 65.53% in FY2007. As mentioned earlier, increase in raw materials, freight charge in international market. In addition, due to expansion of tiles and sanitary unit during FY 2007 and FY2004, cost efficiency was affected in the subsequent year as reflected in the above table. Usually, the company imports major raw materials through its parent, because RAK Ceramics PSC, UAE sources it in bulk quantity for

Sound equity base

### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

Improved liquidity indicators

economies of scale and supply to the subsidiaries. Contribution of raw materials cost to cost of goods sold increased to 59.47% in FY2008 from 54.10% in FY2007. It revealed that the price of major raw materials for gross porcellanto tiles (Soda Feldspar, Potash Feldspar, Indonesian Clay ) increased by 20% and for sanitary ware (China Clay, FC Ball Clay, Kaolin) on average by 10% in last year 2008.

Although selling and distribution cost to sales has remained same (i.e. 10.53%) during 1H of FY2009 and FY2008, however, slightly increased against FY2007 (i.e. 9.98%) resulted mainly for increased promotional expenses. Though, finance cost to revenue also increased to 4.35% during FY2008 from 3.65% in FY2007, in the 1H of FY2009 it decreased to 4.03%.

### 13.0 CAPITAL STRUCTURE AND LEVERAGE

Indicators	*1H 09	2008	2007	2006	2005
Leverage Ratio (X)	0.95	1.08	1.28	0.96	1.31
Internal Capital Generation (%)	12.16	13.31	16.67	13.38	7.49
Net Asset Value Per Share (Tk. 100)	180.62	165.93	139.24	102.55	88.83

\* First Half growth of FY2009 has been annualized

RAKCBL is a sound equity-based company and contribution of long term loan in the capital structure decreased gradually. At end of 1H of FY2009, the capital structure revealed that 88.15% of the net capital employed (Tk. 2,657.26 million) was financed by equity i.e. Tk. 2,342.26 million. The equity pie is composed of 55.37% paid up capital, 23.86% share money deposit and 20.77% retained earnings. Paid up capital was raised by Tk. 648.40 million through 100% bonus issue during 1H of FY2009. The internal capital generation was good and stood at 12.16% at end of 1H of FY2009 against 13.31% in YE2008. Other than 6% yearly royalty payment for technical know how, in FY2007 the company only reimbursed its profit in the form of 50% cash dividend. The Board declared no dividend for the FY2008. Against the above capital structure, outside liabilities stood at Tk. 2,225.04 million representing the leverage ratio 0.95 times (consisting 0.14 as long term gearing and 0.81 as short term gearing) as on 30 June 2009 against 1.08 times at YE2008.

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### 14.0 LIQUIDITY AND FUND FLOW ANALYSIS

Indicators	*1H 09	2008	2007	2006	2005
Current Ratio (X)	1.05	1.10	1.21	1.53	1.44
Quick Ratio (X)	0.60	0.55	0.60	0.84	0.66
Cash Conversion Cycle	92	116	150	163	180

\* First Half growth of FY2009 has been annualized

RAKCBL is basically an import based (considering volume of raw materials) company requiring significant inventory with long cash conversion cycle. However, due to its short receivable collection period and timely repayment of payables, liquidity position of the company always remains at modest level. It is reflected by its current ratio which stood at 1.05 times, 1.10 times, 1.21 times and 1.53 times at end of 1H of FY2009, YE2008, YE2007 and YE 2006 respectively. However, it shortened its cash conversion cycle significantly in the previous years reflected 92 days at end of 1H of FY2009, 116 days at YE2008, 150 days at YE2007 and 163 days at YE2006. Principally RAKCBL maintained finished goods for 15 days, raw materials for 6 months and stores and spares for 1 year. Average number of days inventory (without considering stores and spares) in stock was 126 days in 1H of FY2009, 152 days in FY2008, 170 days in FY2007 and 158 days in FY2006. The credit sales policy backed by bank guarantee realizable within 45 days induced to reduce average receivable collection days in the range of 20 to 30 days.

Analysis of the fund flow reveals that the company generated sufficient fund internally to service its debt burden and other liabilities also. As on FY2008, the company generated fund from operation of Tk 599.98 million (1.04 times of debt coverage), cash flow from operation of Tk. 137.47 million (0.73 times of debt coverage) and free operating cash flow of Tk 279.11 million (0.40 times of debt coverage).

### 15.0 FINANCIAL FLEXIBILITY AND SOLVENCY

Indicators	*1H 09	2008	2007	2006	2005
Debt Service Coverage Ratio (X)	1.95	1.42	2.35	1.79	1.28
Interest Coverage Ratio (X)	5.48	5.82	9.68	7.18	4.14

\* First Half growth of FY2009 has been annualized

RAKCBL is a sound equity-base company and due to strong market image, it enjoys sound financial flexibility to raise fund from different sources. In

Good debt servicing capacity

## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

addition to its sound credibility, it also enjoys a large credit limit from different banks. Presently, it enjoys funded limit of Tk. 1942 million and non funded limit of Tk. 640 million as on 30 June, 2009. However, out of the above limit, the outstanding bank loan liability was Tk. 1,220.45 million (i.e. 62.84% of the limit) as on 30 June 2009.

While analyzing the creditworthiness of the company, it revealed that with significant long term loan, the company has been utilizing the revolving credit limits duly. The cash generation of the company was good to serve the interest obligation against the revolving loan. Debt service coverage ratio of the company stood at 1.95 times in 1H of FY2009 against 1.42 times in FY2008. In terms of interest coverage ratio, the earnings of the company against the fixed cost burden was commendable although it declined to 5.48 times in 1H of FY2009 from 5.82 times in FY2008 due to reduced operating profit in 1H of FY2009.

### 16.0 OBSERVATION SUMMARY

#### Rating Comforts:

- Sound equity base
- Market leader
- Sound debt servicing coverage
- Outstanding business growth
- Sound production facilities
- Strong support from parent
- Diversified product line
- Good operational and financial performance
- Sufficient financial flexibility
- Strong Brand image
- Global Outlook

#### Business Prospects:

- Opportunity of market growth
- Introduce new products
- Diversification in the business

#### Rating Concerns:

- Internal control yet to get structured shape
- Limited modern HR practice
- Limited delegation to local management
- Slow moving finished goods put pressure on inventory turnover
- Absence of independent market research team
- Deficiency in effective disposal management

#### Business Challenges:

- Limited local raw material sources
- Increased competition from new entrants
- Uninterrupted gas supply
- Control over distribution network
- Investment risk to upcoming projects

### END OF THE REPORT

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## Credit Rating Report on RAK Ceramics (Bangladesh) Limited

### 17.0 CORPORATE INFORMATION

**Date of Incorporation** : 26 November 1998

**Commencement of Business** : 12 November 2000

**Board of Directors**

Dr. Khater Massaad	Chairman	
Mr. Hamad Abdullah Al Muttawa	Director	
Mr. S.A.K. Ekramuzzaman	Managing Director	
Mr Abdallah Massaad	Director	
Mr Manoj Aheeray	Director	

**Auditor**

K.M. Hasan & Co	S. F. Ahmed & Co
Chartered Accountants	Chartered Accountants

**Key Management**

Mr. S.A.K. Ekramuzzaman	Managing Director
Mr. Mohd. Amir Hossain	General Manager
Mr. Sangam Lal	Finance Controller
Mr. Mahbubur Rahman	Manager-Personnel & Legal
Mr. Imtiaz Hussain	Manager-Sales
Mr. Jahirull Reza	Manager-Purchase
Mr. Govndaraju Srinivasan	Production Manager-Sanitary Ware Division
Mr. Henry Fernandez	Assistant Technical Manager-Tiles Division
Mr. Mohammed Shamsuddin	Deputy Manager-Accounts
Mr. Muhammad Shahidul Islam	Assistant Company Secretary

#### Capital History:

Year	Authorized Capital (M.Tk)	Issued, Subscribed and Paid-up Capital (M. Tk.)	Rate of Increase	Source of Paid-up Capital
2004	750.00	330.00	-	Cash
2005	750.00	648.40	96.5%	Cash & Kind
2006	750.00	648.40	-	Do
2007	750.00	648.40	-	Do
2008	3000.00	648.40		Do
2009	3000.00	1,296.80	100%	Bonus Issue

**Credit Rating Report on RAK Ceramics (Bangladesh) Limited**
**A. Balance Sheet (As on 31st December)**

(Amount in Million Taka)

	1H 09	2008	2007	2006	2005
<b>Non-Current Assets:</b>					
Property, Plant & Equipment	2,144.95	1,973.54	2,159.59	1,255.92	1439.15
Capital work in progress	18.99	58.23	27.13	125.00	
Intangible Assets(net)	12.21	-	-	-	
Investment	363.71	281.71	144.71	8.06	
Other Non-Current Assets	19.81	72.02	19.33	18.98	18.80
<b>Total Non-Current Assets</b>	<b>2,559.67</b>	<b>2,385.50</b>	<b>2,350.76</b>	<b>1,407.96</b>	<b>1457.95</b>
<b>Current Assets:</b>					
Inventories	857.98	1,040.88	889.63	541.05	648.27
Stores & Spares	534.89	474.93	322.56	276.42	262.34
Trade Debtors	112.81	163.73	209.04	210.95	213.90
Adv. Deposits & Prepayments	457.65	382.17	317.31	144.72	50.56
Short Term Investment	-	-	-	-	
Other Current Assets	3.94	2.07	1.31	0.14	
Cash & Bank Balances	40.36	24.03	24.67	23.71	26.07
<b>Total Current Assets</b>	<b>2,007.63</b>	<b>2,087.81</b>	<b>1,764.52</b>	<b>1,196.99</b>	<b>1201.13</b>
<b>Current Liabilities:</b>					
Short Term Loan	695.45	634.91	0.04	0.00	233.93
Long Term Loan-CP	210.00	293.34	435.36	227.04	223.56
Trade Creditors	303.70	407.17	313.61	126.77	129.23
Other ST Liabilities	694.04	558.25	705.42	426.54	245.58
<b>Total Current Liabilities</b>	<b>1,903.20</b>	<b>1,893.67</b>	<b>1,454.43</b>	<b>780.35</b>	<b>832.30</b>
<b>Net Current Assets</b>	<b>104.43</b>	<b>194.14</b>	<b>310.09</b>	<b>416.64</b>	<b>368.83</b>
<b>Net Assets</b>	<b>2,664.10</b>	<b>2,579.64</b>	<b>2,660.85</b>	<b>1,824.60</b>	<b>1826.78</b>
<b>Non-Current Liabilities:</b>					
Long Term Loan	315.00	420.00	806.41	438.80	622.63
Deferred Liabilities	-	-	-	-	
Other Non-Current Liabilities	6.84	7.81	48.82	55.94	52.26
<b>Total Non-Current Liabilities</b>	<b>321.84</b>	<b>427.81</b>	<b>855.23</b>	<b>494.74</b>	<b>674.89</b>
Minority Interest	-	-	-	-	
<b>Shareholders' Equity:</b>					
Share Capital	1,296.80	648.40	648.40	648.40	648.40
Share Premium		-	-	-	
Share Money Deposit	558.84	508.12	502.55	5.17	5.17
Other Reserve	-	-	-	-	
Retained Earnings	-	995.31	654.67	676.29	498.32
<b>Total Shareholder's Equity</b>	<b>2,342.26</b>	<b>2,151.83</b>	<b>1,805.62</b>	<b>1,329.86</b>	<b>1151.89</b>
<b>Total Equity and LT Liabilities</b>	<b>2,664.10</b>	<b>2,579.64</b>	<b>2,660.85</b>	<b>1,824.60</b>	<b>1826.78</b>
<b>Total Assets</b>	<b>4,567.30</b>	<b>4,473.31</b>	<b>4,115.28</b>	<b>2,604.95</b>	<b>2659.08</b>

**Credit Rating Report on RAK Ceramics (Bangladesh) Limited**

**B. Income Statement (for the year ended 31 December)**

(Amount in Million Taka)

	1H 09	2008	2007	2006	2005
Sales Revenue	1,910.35	3,247.99	2,335.39	1,955.08	1633.44
COGS Excluding Depreciation	1,246.18	2,031.07	1,331.47	1,191.41	1044.40
Depreciation-Mfg	125.00	284.10	198.82	182.58	204.76
Cost of Good Sold	1,371.18	2,315.17	1,530.28	1,373.99	1249.15
Gross Profit	539.17	932.81	805.11	581.10	384.29
Salary & Allowances	15.04	19.62	14.58	13.04	9.79
Depreciation-Administrative	6.98	15.17	14.54	2.30	2.38
Other Admin. Expenses	11.94	38.91	29.99	18.09	14.64
Total Adm. Exp	33.95	73.71	59.11	33.43	26.81
Selling & Distribution Exp.	201.08	341.82	233.01	188.13	177.83
Profit from Operation	304.14	517.28	512.99	359.53	179.65
Other Income	0.73	1.91	6.78	0.54	
Financial Cost	76.94	141.17	85.26	81.45	93.37
Profit Before Tax	227.93	378.02	434.52	278.63	86.28
Income Tax	85.47	91.62	131.94	100.66	-
Profit After Tax	142.46	286.40	302.57	177.97	86.28

Note: Above Financial statements are rearranged for analysis purpose

**Credit Rating Report on RAK Ceramics (Bangladesh) Limited**

RATING	CRISL RATING SCALES AND DEFINITIONS LONG-TERM RATINGS OF CORPORATE
	DEFINITION
AAA Triple A (Highest Safety)	<b>Investment Grade</b> Entities rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of companies.
AA+, AA, AA- (Double A) (High Safety)	Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
A+, A, A- Single A (Adequate Safety)	Entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Entities rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a company is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
BB+, BB, BB- Double B (Inadequate Safety)	<b>Speculative Grade</b> Entities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a company as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
B+, B, B- Single B (Risky)	Entities rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time through creating external liabilities.
CCC+, CCC, CCC- Triple C (Vulnerable)	Entities rated in this category are adjudged to be vulnerable and might fail to meet its repayments frequently or it may currently meeting obligations in time through creating external liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support.
CC+, CC, CC- Double C (High Vulnerable)	Entities rated in this category are adjudged to be very highly vulnerable. Entities might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support.



### Credit Rating Report on RAK Ceramics (Bangladesh) Limited

RATING	CRISL RATING SCALES AND DEFINITIONS LONG-TERM RATINGS OF CORPORATE
	DEFINITION
C+,C,C- (Extremely Speculative)	Entities rated in this category are adjudged to be with extremely speculative in timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
D (Default)	<b>Default Grade</b> Entities rated in this category are adjudged to be either already in default or expected to be in default.

Note: For long-term ratings, CRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group.

### SHORT-TERM RATINGS OF CORPORATE

RATING	CRISL RATING SCALES AND DEFINITIONS SHORT-TERM RATINGS OF CORPORATE
	DEFINITION
ST-1	<b>Highest Grade</b> Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.
ST-2	<b>High Grade</b> High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	<b>Good Grade</b> Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
ST-4	<b>Moderate Grade</b> Moderate liquidity and other protection factors qualify an entity to be in investment grade. Risk factors are larger and subject to more variation.
ST-5	<b>Speculative Grade</b> Speculative investment characteristics. Liquidity is not sufficient to ensure discharging debt obligations. Operating factors and market access may be subject to a high degree of variation.
ST-6	<b>Default</b> Entity is in default or is likely to default in discharging its short-term obligations. Market access for liquidity and external support is uncertain.

## Section - XVII

### Annexure - I

#### Dividend Payment Policy of RAK Ceramics (Bangladesh) Limited

The management of RAK Ceramics (Bangladesh) Limited will maintain a payout of at least 80% of Earnings Per Share (EPS) as dividend in the projected years up to 2011.

Sd/-

Mr. S.A.K. Ekramuzzaman  
 Managing Director  
 RAK Ceramics (Bangladesh) Limited

Dated: July 6, 2009

#### Statement regarding Annual General Meeting

The Company incorporated on November 26, 1998 and has been holding Annual General Meeting regularly since its inception. The details about Annual General Meeting of the company are as follows:

Year	Date	Number of the meeting	Dividend Declared
2000	May 22, 2000	1st Annual General Meeting	Nil
2001	August 20, 2001	2nd Annual General Meeting	Nil
2002	September 10, 2002	3rd Annual General Meeting	Nil
2003	August 30, 2003	4th Annual General Meeting	Nil
2004	September 30, 2004	5th Annual General Meeting	Nil
2005	September 30, 2005	6th Annual General Meeting	Nil
2006	June 25, 2006	7th Annual General Meeting	Nil
2007	February 10, 2007	8th Annual General Meeting	Nil
2008	January 28, 2008	9th Annual General Meeting	50% cash
2009	January 25, 2009	10th Annual General Meeting	Nil

For Issuer

Sd/-

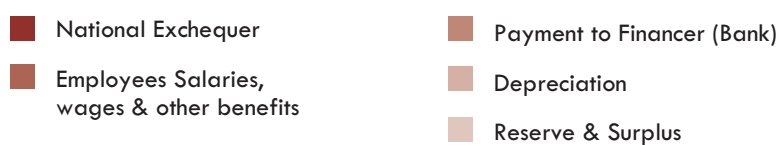
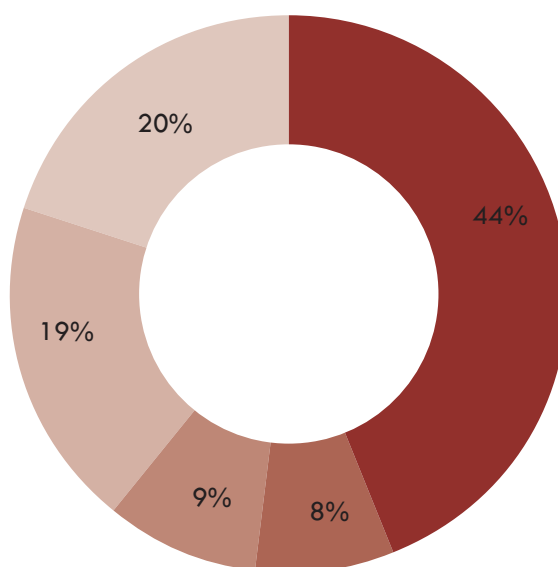
Mr. S.A.K. Ekramuzzaman  
 Managing Director  
 RAK Ceramics (Bangladesh) Limited

## Annexure - II

### Value Added Statement

Particulars	31 December 2008	
	Taka	%
Turnover	3,905,016,733	
Less: Cost of Materials & Service	(2,300,198,947)	
Value Added	1,604,817,786	100%
Applications:		
National Exchequer	711,688,089	44%
Employees Salaries, wages & other benefits	131,229,895	8%
Payment to Financer (Bank)	141,170,017	9%
Retained earnings		
- Depreciation	299,274,392	19%
- Reserve & Surplus	321,455,393	20%
Total	1,604,817,786	100%

### Distribution of Value Addition for 2008



## Annexure - III

### Auditors' certificate regarding projected earnings per share as per Rules 8(B)(16)(1) (b)(iii) of the Public Issue Rules 2006 of Securities and Exchange Commission

We, as statutory auditors of RAK Ceramics (Bangladesh) Ltd (the "Company"), have examined the following projected earnings per share of the Company for the next three years ending 31 December 2009, 2010 and 2011, which have been prepared by the management of RAK Ceramics (Bangladesh) Ltd based on their own assessment:

Particulars	31 December 2009	31 December 2010	31 December 2011
Turnover	3,991,244,569	4,858,142,889	6,086,658,415
Cost of goods sold	(2,822,983,696)	(3,482,360,000)	(4,303,153,695)
Gross profit	1,168,260,873	1,375,782,889	1,783,504,720
Administrative expenses	(105,098,927)	(136,899,408)	(156,806,728)
Selling and distribution expenses	(455,486,214)	(640,380,592)	(817,063,272)
Operating profit	607,675,732	598,502,889	809,634,720
Interest and finance expenses	(187,629,651)	(52,860,000)	(13,959,999)
Net profit after interest expenses	420,046,081	545,642,889	795,674,721
Other income	-	10,000,000	10,000,000
Income from investment in associate company	1,500,000	806,644	1,056,006
Net profit before tax	21,546,081	4556,449,533	806,730,727
Tax expenses	(113,344,749)	(126,796,453)	(192,274,844)
Net profit after tax	308,201,332	429,653,080	614,455,883
Minority interest	15,993,801	(23,094,267)	(67,803,869)
Profit for the Group	324,195,133	406,558,813	546,652,013
Number of Shares	231,954,375	231,954,375	231,954,375
Earnings Per Share	1.40	1.75	2.36

Sd/-

K. M. HASAN & CO  
Chartered Accountants

Dhaka, Bangladesh  
Dated, 09 August 2009

Sd/-

S. F. AHMED & CO  
Chartered Accountants

## Annexure - IV

### Terms and Conditions of Vendors' Agreement

**(1) Agreement between "RAK Ceramics PSC, UAE and RAK Ceramics (Bangladesh) Limited" dated May 13, 2008.**

- a) The Vendee shall have and hold the said machineries absolutely and without any hindrance from the Vendors or anybody claiming any right through them or in trust for them.
- b) The Vendee shall be entitle to install the machineries in the factory and wherever necessary and use them for manufacturing.
- c) The Company in consideration of Tk. 502,951,500/- (Taka Five hundred two million nine hundred fifty one thousand five hundred) being the settled price of the machineries will allot a number of 5,029,515 (Five million twenty nine thousand five hundred fifteen) Ordinary shares of Tk. 100/= each in the Company to the Vendors and to be kept as an equity investment in the name of the Vendors.
- d) The Vendee shall execute all such documents as may be required or be necessary under the Articles of Association of the Vendee in respect of transfer of the Machineries in the name of the Vendee.
- e) The Vendee shall be entitled to use the machineries freely and in any manner it may like without any hindrance from the Vendors.
- f) The Vendors have thus relinquished, sold and transferred all their rights and interest in the said Machineries in favour of the Vendee and the Vendee is put in possession of the machineries and the Vendee shall have all the rights to use the Machineries, to sell, transfer, exchange, lease or otherwise dispose of the same in the best interest of the Vendee and its shareholders.
- g) The Vendors shall acquire the full and absolute right over the shares hereby transferred to them and they shall be entitled to freely deal with them.

**(2) Agreement between "S.A.K. Ekramuzzaman and RAK Ceramics (Bangladesh) Limited" dated September 25, 2004.**

- a) The VENDOR is the sole owner in possession of the land measuring 815.436 decimal at Mouza: Dhanua, P.S. and Sub-Registry Office: Shreepur, District: Gazipur fully described in Schedule "A" below hereinafter referred to as the "Schedule of Land."
- b) The VENDOR shall transfer to the VENDEE the land measuring, 815.436 Decimal (1 decimal= 439sft.) at Mouza: Dhanua, P.S. and Sub-Registry Office: Shreepur, District: Gzipur fully described in the Schedule "A" below:
- c) The value of the land has been assessed at Tk. 29,081,300/- (Taka Twenty-nine Million Eighty one Thousand and Three Hundred only).
- d) The VENDOR shall in consideration of transfer of the land receive 290,813 ordinary share of Taka 100 each in the VENDEE Company.

- e) The VENDOR shall transfer the land by executing and registering a Deed of Sale.
- f) The shares shall be issued by the VENDEE in favor of the VENDOR within five years from the date of handing over of the possession of the land.
- g) The VENDEE shall bear all costs for registration of the land in its name.
- h) The VENDOR shall settle all current dues such as arrear installments on account of ground rents, assessment, municipal rents etc. in respect of the schedule property till the date of execution of the Deed of the Sale.
- i) The VENDOR warrants and conveys that its title to the schedule properties is perfect and free from any defect and if ever it transpires that its title to the properties is defective, the VENDOR undertakes to perfect the title forthwith at its own cost and responsibility.
- j) The VENDOR warrants and conveys that the schedule properties is free from mortgage, encumbrance, lien or charges and if it ever transpires that the properties is encumbered in any manner, the VENDOR shall release the properties from such encumbrance at its own costs and responsibility.
- k) The VENDOR warrants and conveys that it has not entered into any other agreement in connection with sale/transfer of the schedule properties.
- l) The VENDOR warrants and conveys that it has taken all corporate approval and authorization necessary to enter into this Agreement and to perform all the obligations contained herein.

**(3) Agreement between “RAK Ceramics PSC, UAE and RAK Ceramics (Bangladesh) Limited” dated September 27, 2000.**

- a) The Vendee shall have and hold the said machineries absolutely and without any hindrance from the Vendors or any body claiming any right through them or in trust for them.
- b) The Vendee shall be entitled to install the machineries in the factory and whenever necessary and use them for manufacturing.
- c) The Company in consideration of Tk. 283,560,000/- (Taka Two Hundred Eighty Three Million Five Hundred Sixty Thousand), being the settled price of the machineries will allot a number of 2,835,600 (Two Million Eight Hundred Thirty Five Thousand Six Hundred) Ordinary shares of Tk. 100/= each in the Company to the Vendors and to be kept an equity investment in the name of the Vendors.
- d) The Vendee shall execute all such documents as may be required or be necessary under the articles of Association of the Vendee in respect of transfer of the Machineries in the name of the Vendee.
- e) The Vendee shall be entitled to use the Machineries freely and in any manner may like without any hindrance from the Vendors.
- f) The Vendors have thus relinquished, sold and transferred all in their rights and interest in the said Machineries in favour of the Vendee and the Vendee is put in possession of the machineries and the Vendee shall have the rights to use the machineries, to sell, transfer, exchange, lease or otherwise dispose of the same in the best interest of the Vendee and its shareholders.
- g) The Vendors shall acquire the full and absolute right over the shares hereby transferred to them and they shall be entitled to freely deal with them.

# Section - XVIII

## Application form

"Interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue managers"  
 RAK Ceramics (Bangladesh) Limited

Application Form

APPLICATION FOR SHARES BY INVESTORS OTHER THAN NON-RESIDENT BANGLADESHI(S)

Warning: Please read the instructions at the back of this form. Incorrectly filled applications may be rejected

The Managing Director  
 RAK Ceramics (Bangladesh) Limited  
 RAK Tower (7<sup>th</sup>, 8<sup>th</sup> & 9<sup>th</sup> Floor)  
 Plot No. 1/A, Jasimuddin Avenue, Sector 3  
 Uttara Model Town, Dhaka 1230, Bangladesh

Banker's Sl no:
-----------------

Dear Sir,

I/we apply for and request you to allot me/us the .....number of Shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon the terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Members of the Company and deposit the said shares to my/our BO (Beneficiary Owner) Account and/or a Crossed (Account Payee only) Cheque in respect of any application money refundable by post/courier at my/our risk to the first applicant's address stated below:-

1. No. of Ordinary Shares ..... of Tk. 48/- each.
2. Amount of Tk. (in figure), ....., Taka (in words) .....only deposited vide Cash/Cheque/Draft/Pay Order No.....dated ..... on .....Bank..... Branch
3. Beneficiary Owner (B/O) Account Number

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(If you do not mention your valid BO (Beneficiary Owner)account number, your application will be treated as invalid)

4. I/we agree to fully abide by the instructions given herein.
5. Particulars of Applicant(s):  
 a) Sole/First Applicant

Name: Mr./Mrs./Ms.		
Father's/Husband's name:		
Mother's name:		
Postal address:		
Occupation:	Nationality:	Telephone No. (if any):
<i>For refund warrant (Application will not be treated as valid if any one uses a non-scheduled bank. To avoid this complication, investors are requested not to use the name of any non-scheduled bank) Please write the correct and full name of bank and branch</i>		
<b>For refund purpose:</b> I/we/want refund through <input type="checkbox"/> Bank Account* <input type="checkbox"/> Hand Delivery / Courier (please put tick mark in which refund will be made)		
Applicant's Bank A/C No:		
Name of the Bank:		Branch:

b) Second Applicant

Name: Mr./Mrs./Ms.		
Father's/Husband's name:		
Mother's name:		
Postal address:		
Occupation:	Nationality:	Telephone No. (if any):

6. I/We hereby declare that I/We have read the Prospectus of RAK Ceramics (Bangladesh) Limited and have willingly subscribed for ..... no. of shares of Tk.48/- each.

7. Specimen Signature(s):

1 <sup>st</sup> Applicant: Name (in Block Letters)	Signature:
2 <sup>nd</sup> Applicant: Name (in Block Letters)	Signature:

\* in case of deposit into the applicant's bank account, the applicant will bear the applicable service charge, if any, of the applicant's banker, and the issuer shall simultaneously issue a letter of intimation to the applicant containing, among others, the date and amount remitted with details of the bank through and to which bank such remittance has been effected.

BANK'S ACKNOWLEDGEMENT

Certified that this Bank has received Tk. (in figure) ..... (in words) ..... only from Mr./Mrs./Ms. .... being the application money for ..... nos. of ordinary shares of RAK Ceramics (Bangladesh) Limited

Bankers Sl. No.

Seal & Date

Authorized Signature  
 (Name & Designation)

## INSTRUCTIONS

1. As per provision of the Depository Act, 1999 and regulations made there under shares will only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) account number in the Application Form. If you do not mention your valid BO (Beneficiary Owner) Account, your application will be treated as invalid.
2. All information must be typed or written in full (in block letters) in English or in Bengali and must not be abbreviated.
3. Application must be made on the Company's printed form/photocopy or on typed copy/hand written form thereof.
4. Application must not be for less than **200** ordinary shares and must be for a multiple of **200** ordinary shares. Any application not meeting these criterions will not be considered for allotment purpose.
5. Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the Bankers' to the Issue. Remittance should be in the form of cash/cheque/bank draft/pay order payable to one of the Bankers' to the Issue favoring "**RAK Ceramics (Bangladesh) Limited**" and crossed "**A/C Payee only**" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
6. In the case of a joint application form, the Allotment letter will be dispatched to the person whose name appears first on this application form.
7. Joint application form for more than two persons will not be accepted. In case of joint application, each party must sign the application form.
8. Applications must be in the full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Application from financial and market intermediary companies must be accompanied by Memorandum of Association and Articles of Associations and Certificate of Incorporation.
9. **An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**
10. No receipt will be issued for the payment made with application, but the bankers will issue a provisional acknowledgement to the issue for application lodged with them.
11. In the case of non-allotment of securities, if the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms. Otherwise, refund will be made only through "Account Payee" cheque(s) showing bank account number and name of bank and branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.
12. Allotment shall be made solely in accordance with the instructions of the Securities and Exchange Commission.
13. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the application liable to rejection and subject to forfeiture of application money and / or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited Application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.
14. Applications which do not meet the above requirements, or applications, which are incomplete, shall not be considered for allotment purpose.
15. The Bankers' to the Issue shall be obliged to receive the A/C Payee Cheque(s) on the closing day of the subscription.
16. **No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published.**



### Investment Corporation of Bangladesh

Head Office, Dhaka	Chittagong Br. Chittagong	Khulna Br. Khulna	Sylhet Br. Sylhet
Local Office, Dhaka	Rajshahi Br. Rajshahi	Barisal Br. Barisal	Bogra Br. Bogra

### Uttara Bank Limited

Corporate Br. Dhaka	Narayanganj Br. N'ganj	Sir Iqbal Road Br. Khulna	Kustia Br. Kustia
Local Office Br. Dhaka	Sylhet Br. Sylhet	Bogra Br. Bogra	Tangail Br. Tangai
Gulshan Br. Dhaka	Agrabad Br. Chittagong	Rangpur Br. Rangpur	Pabna Br. Pabna
Kawran Bazatr Br. Dhaka	Comilla Br. Comilla	Dinajpur Br. Dinajpur	Cox's Bazar Br.Cox's Bazar
Sat Masjid Road Br.Dhaka	Mymensing Br. Mymensing	Barisal Br. Barisal	Faridpur Br. Faridpur
Pallabi Br. Dhaka	Jessore Br. Jessore	Shaheb Bazar	Br. Rajshahi

### Dhaka Bank Limited

Local Office, Dhaka	Islampur Br. Dhaka	Aminbazar Br. Dhaka	Agrabad Br. Chittagong
Uttara Br. Dhaka	Foreign Ex. Br. Dhaka	Islami Banking Br. Dhaka	Jubilee Road Br.Chittagong
Bangshal Br. Dhaka	Dhanmondi Br. Dhaka	Narayanganj Br. N'ganj	Khatunganj Br. Chittagong
Imamgonj Br.Dhaka	Karwanbazar Br. Dhaka	Laldighirpar Br. Sylhet	Cox's Bazar Br.Cox's Bazar

### Standard Chartered Bank

Motijheel Br. Dhaka	Nasirabad Br. Chittagong	Khulna Br. Khulna	Sylhet Br. Sylhet
Mirpur Br. Dhaka	Agrabad Br. Chittagong B	Bogra Br. Bogra	

### HSBC

Motijheel Br. Dhaka

### Trust Bank Limited

Principal Br. Dhaka	Mirpur Br.Dhaka	Narayanganj Br. N'Ganj	Naval Base Br. Chittagong
SKB Br. Dhaka	Uttara Corp. Br. Dhaka	CDA Avenue Br.Chittagong	Sylhet Corp. Br. Sylhet
Dhanmondi Br. Dhaka	Millenium Corp. Br. Dhaka	Agrabad Br. Chittagong	Uposahar Br. Sylhet
Gulshan Corp. Br. Dhaka	Karwan Bazar Br.Dhaka	Jubilee Road Br.Chittagong	Khulna Br. Khulna
Dilkusha Corp. Br. Dhaka	Kafrul Br. Dhaka	Khatunganj Br. Chittagong	Feni Br. Feni

### Citibank N.A.

Motijheel Br. Dhaka	Dhanmondi Br. Dhaka	Gulshan Br. Dhaka	Utara Br.Dhaka
Agrabad Br. Chittagong			

### National Bank Limited

Dilkusha Br. Dhaka	Mohakhali Br. Dhaka	Gazipur Br. Gazipur	Anderkillah Br. Chittagong
Bangshal Road Br. Dhaka	Malibagh Br. Dhaka	Tangail Br. Tangail	Chowmuhani Br. Noakhali
Babubazar Br. Dhaka	Mirpur Br. Dhaka	Narayanganj Br. N'ganj	Faridpur Br. Faridpur
Elephant Road Br. Dhaka	ZHSikdar College Br.Dhaka	Paglabazar Br. N'ganj	Sylhet Br. Sylhet
Foreign Ex. Br. Dhaka	Islampur Br. Dhaka	Narsingdi Br. Narsingdi	Feni Br. Feni
Gulshan Br. Dhaka	Uttara Br. Dhaka	Comilla Br. Comilla	Khulna Br. Khulna
Imamganj Br. Dhaka	North Brook Hall Br. Dhaka	Agrabad Br. Chittagong	Rangpur Br. Rangpur
Dhanmondi Br. Dhaka	Lake Circus Br. Dhaka	Khatunganj Br. Chittagong	Bogra Br. Bogra
Kawran Bazar Br. Dhaka	Mohammadpur Br. Dhaka	Jubilee Road Br.Chittagong	Rajshahi Br.Rajshahi
Motijheel Br. Dhaka	Pragati Sarani Br. Dhaka	Chawkbazar Br Chittagong	Barisal Br. Barisal
Banani Br. Dhaka	Jatrabari Br. Dhaka	Pahartali Br. Chittagong	
New Eskaton Br. Dhaka	Savar Bazar Br. Dhaka	Sk Mujib Rd. Br.Chittagong	

**Southeast Bank**

Principal Br. Dhaka	Motijheel Br. Dhaka	Jubilee Road Br.Chittagong	Laldighirpar Br. Sylhet
Corporate Br. Dhaka	Gulshan Br. Dhaka	Halishahar Br. Chittagong	Chouhatta Br. Sylhet
Dhanmondi Br. Dhaka	Kakrail Br. Dhaka	Agrabad Br. Chittagong	Pathantula Br. Sylhet
Uttara Br. Dhaka	Bangshal Br. Dhaka	Pahartali Br. Chittagong	

**Bank Asia Limited**

Principal office Br. Dhaka	Mitford Br. Dhaka	Sylhet Main Br. Sylhet	Anderkilla Br. Chittagong
MCB Dilkusha Br. Dhaka	North South Rd Br. Dhaka	Uposhahar Br. Sylhet	Bogra Br. Bogra
Corporate Br. Dhaka	Dhanmondi Br. Dhaka	Agrabad Br. Chittagong	Jessore Br. Jessore
Scotia Br. Dhaka	Bashundhara Br. Dhaka	Khatunganj Br. Chittagong	Rajshahi Br. Rajshahi
Gulshan Br. Dhaka	Mohakhali Br. Dhaka	SK Mujib Rd Br Chittagong	Khulna Br. Khulna
MCB Banani Br. Dhaka	Mirpur Br. Dhaka	CDA Avenue Br.Chittagong	
Uttara Br. Dhaka	Shantinagar Br. Dhaka	Station Rd Br. Chittagong	

**Dutch-Bangla Bank Ltd**

Local Office, Dhaka	Savar Bazar Br. Dhaka	Sylhet Br. Sylhet	Pabna Br. Pabna
Foreign Ex. Br. Dhaka	Bashundhara Br. Dhaka	Biswanath Br. Sylhet	Rajshahi Br. Rajshahi
Nababpur Br. Dhaka	Ring Road Br. Dhaka	Golapgonj Br. Sylhet	Mymensing Br. Mymensing
Banani Br. Dhaka	Bandura br. Dhaka	Goala Bazar Br. Sylhet	Chhatak Br. Sunamganj
Kawran Bazar Br. Dhaka	Mirpur Circle 10 Br.Dhaka	Beani Bazar Br. Sylhet	Shajadpur Br. Sirajganj
Shantinagr Br. Dhaka	Satmosjid Road Br. Dhaka	Moulavi Bazar Br. M'Bazar	Feni Br. Feni
Dhanmondi Br. Dhaka	Agrabad Br. Chittagong	Sremangal Br. M'Bazar	Choumuhani Br. Feni
Mohakhali Br. Dhaka	Patherhat Br. Chittagong	Board Bazar Br. Gazipur	Sonagazi Br. Feni
Gulshan Br. Dhaka	Hathazari Br. Chittagong	Chowrasta Br. Gazipur	Basurhat br. Noakhali
Mirpur Br. Dhaka	CDA Avenue Br.Chittagong	Konabary Br. Gazipur	Narayanganj Br. N'Ganj
Uttara Br. Dhaka	Muradpur Br. Chittagong	Khulna Br. Khulna	B.B. Road Br. Narayanganj
Islampur Br. Dhaka	Jubilee Rd Br. Chittagong	Barisal Br. Barisal	Netaiganj Br. Narayanganj
Dania Br.Dhaka	Kadamtali Br. Chittagong	Bogra Br. Bogra	Simrail Br. Narayanganj
Dhaka EPZ Br. Dhaka	Lohagara Br. Chittagong	Manikgonj Br. Manikgonj	Narsingdi Br, Narsingdi
Elephant Road Br. Dhaka	Fatikchari Br. Chittagong	Rangpur Br. Rangpur	Baburhat Br. Narsindi
Joypara Br. Dhaka	Khatunganj Br. Chittagong	Jessore Br. Jessore	Mirzapur Br. Tangail
Naya Bazar Br. Dhaka	Halishhar Br. Chittagong	Saidpur Br. Nilphamary	Comilla Br. Comilla
Imamgonj Br. Dhaka	Cox's Bazar Br.Cox'sBazar	Kushtia Br. Kushtia	



## INSTRUCTIONS

1. As per provision of the Depository Act, 1999 and regulations made there under shares will only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) account number in the Application Form. If you do not mention your valid BO (Beneficiary Owner) account, your application will be treated as invalid.
2. All information must be written or typed in block letters in English and must not be abbreviated.
3. An application must not be for less than **200** Ordinary Shares and must be for a multiple of **200** ordinary shares. Any application not meeting this criterion will not be considered for allotment purpose.
4. An application must be accompanied by a foreign demand draft drawn on a bank payable at Dhaka or heque drawn out of foreign currency deposit account maintained in Bangladesh for the full value of shares favoring **“RAK Ceramics (Bangladesh) Limited”** and crossed **“Account Payee only”**.
5. An application shall be sent by the applicant directly to the Company by April 29, 2010 so as to reach the Company by May 8, 2010. Applications sent after April 29, 2010 or received by the Company after May 8, 2010 will not be considered for allotment purpose.
6. Refund against over-subscription shall be made in the currency in which the value of shares was paid for by the applicant at the same rate as stated on the application form through Account Payee cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form.
7. In case of over-subscription, allotment shall be made by lottery solely in accordance with the instructions by SEC.
8. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.
9. Joint application by two persons will be acceptable. In such a case, allotment or refund shall be made by post to the first applicant.
10. Application must be made by an individual, a corporation or company, a trust or a society and not by a firm, minor or persons of unsound mind.
11. In the case of non-allotment of securities, if the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms. Otherwise, refund will be made only through “Account Payee” cheque(s) with bank account number and name of bank branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.
12. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information in the application shall make the Application liable to rejection and subject to forfeiture of application money and / or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.
13. The intending NRB applicants shall deposit share money by US\$/UK Pound Sterling/EURO draft drawn on any Bank and payable in Dhaka, Bangladesh, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking “Account Payee only”. So that the issuer's collecting bank can clear the proceeds and deposit the same into issuer bank's account in time.
14. The spot buying rate (TT Clean) in US Dollar, UK Pound Sterling and EURO of Sonali Bank at the day of subscription opening will be applicable for the Non Resident Bangladeshi (NRB) applicants.
15. **The applicant shall furnish photocopies of relevant pages of valid passports in support of his being a NRB, dual citizenship or of the foreign passport bearing an endorsement from the concerned Bangladeshi Embassy to the effect that no visa is required for him to travel to Bangladesh.**
16. In case of joint NRB application joint applicant shall also submit supporting papers /documents in support of their being a NRB as mentioned in para-15 (above).
17. **An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**
18. **No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published.**

**THE NRB APPLICATION ALONG WITH THE FOREIGN CURRENCY DRAFT, AS ABOVE, IS TO BE SUBMITTED TO THE COMPANY'S HEAD OFFICE DIRECTLY WITHIN THE STIPULATED TIME MENTIONED IN PARA 5.**

## Our Presence Worldwide

### Manufacturing Subsidiaries

#### SUDAN

**R.A.K Ceramics Factory**  
Khartoum North-Sudan  
Modern Industrial Area-Garri  
Tel: +00249 185 35088  
Fax: +00249 185 35088  
email: officemail@rakcermsudan.com

#### CHINA

**R.A.K (Gaoyao) Ceramics Co. Ltd.**  
Tinazai Industrial Zone  
Gaoyao City,  
Guangdong Province, China-526100  
Tel: +86 758 8311966  
Fax: +86 758 8311988  
email: sales-export@rakceramchina.com

#### INDIA

**R.A.K Ceramics (India) Pvt. Ltd.**  
Ida Peddapuram, Adb Rd.  
Samlkot-533440, East Godavari Dist.  
Andhra Pradesh, India.  
Tel: +91 884 5588334  
Fax: +91 884 2356570  
email: officemail@rakceramindia.com

#### IRAN

**R.A.K Ceramics-Iran**  
No-24-6th Avenue, Bokharest Street  
P.O. Box # 15147, Tehran, Iran  
Tel: +98 21 8753456-9  
email: rakceramiran@yahoo.com

### Sales and Distribution Subsidiaries

#### FRANCE

**R.A.K Ceramics France**  
Le Sabaudia,  
73310 Serrieres en Chautagne, France.  
Tel: +33(0)4 79549951  
Fax: +33(0)4 7954734  
email: secretrariat@rakfrance.com

#### ITALY

**R.A.K. Ceramics Italia SRL**  
Via Ghlarola Nuova, 118  
41042 Florano Modenese (MO)  
Via P.LVA. 02921770364  
Tel: 0039 0536 911589  
Fax: 0039 0536 913955  
E-mail : rakitalia@rakitalia.it

#### UK

**R.A.K Ceramics U.K. Ltd.**  
Paris House, Frenchmans Road, Petersfield,  
Hampshire, GU32 3JB, United Kingdom.  
Tel: +44 1730 237850  
Fax: +44 1730 269051  
email: info@rakceramics.co.uk

#### GEORGIA

**RAK Ceramics Georgia**  
118, Tsereteli Ave, Showroom # 1,  
Tbilisi Georgia  
Tel: +99 5323 45858  
Fax: (995 32) 34 44 99

#### AUSTRALIA

**Prestige Tiles Pty. Ltd.**  
16 Raglan Road , Auburn  
New 2144, Australia  
Tel : +61 2 8717 9044  
Fax : +61 2 8717 9088  
email: imports@prestigitiles.com

#### USA

**R.A.K Ceramics Corporation**  
4000 Porett Drive  
Gurnee IL 60031  
Tel : +1 847 244 1234  
Fax : +1 847 244 1259  
email: sales@rak-america.com

#### ITALY

**R.A.K. Ceramics Europe Distribution S.R.L**  
Via Ghlarola Nuova, 118  
41042 Florano Modenese (MO)  
Via P.LVA. 02921770364  
Tel: 0039 0536 911589  
Fax: 0039 0536 913955  
E-mail : rakeurope@europe.it

#### GERMANY

**R.A.K Ceramics GmbH**  
Otto Hahn Str. 7, D-64579 Gernsheim  
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Fax: +49-6258-94184  
email: markus.brixius@rakceramics.de

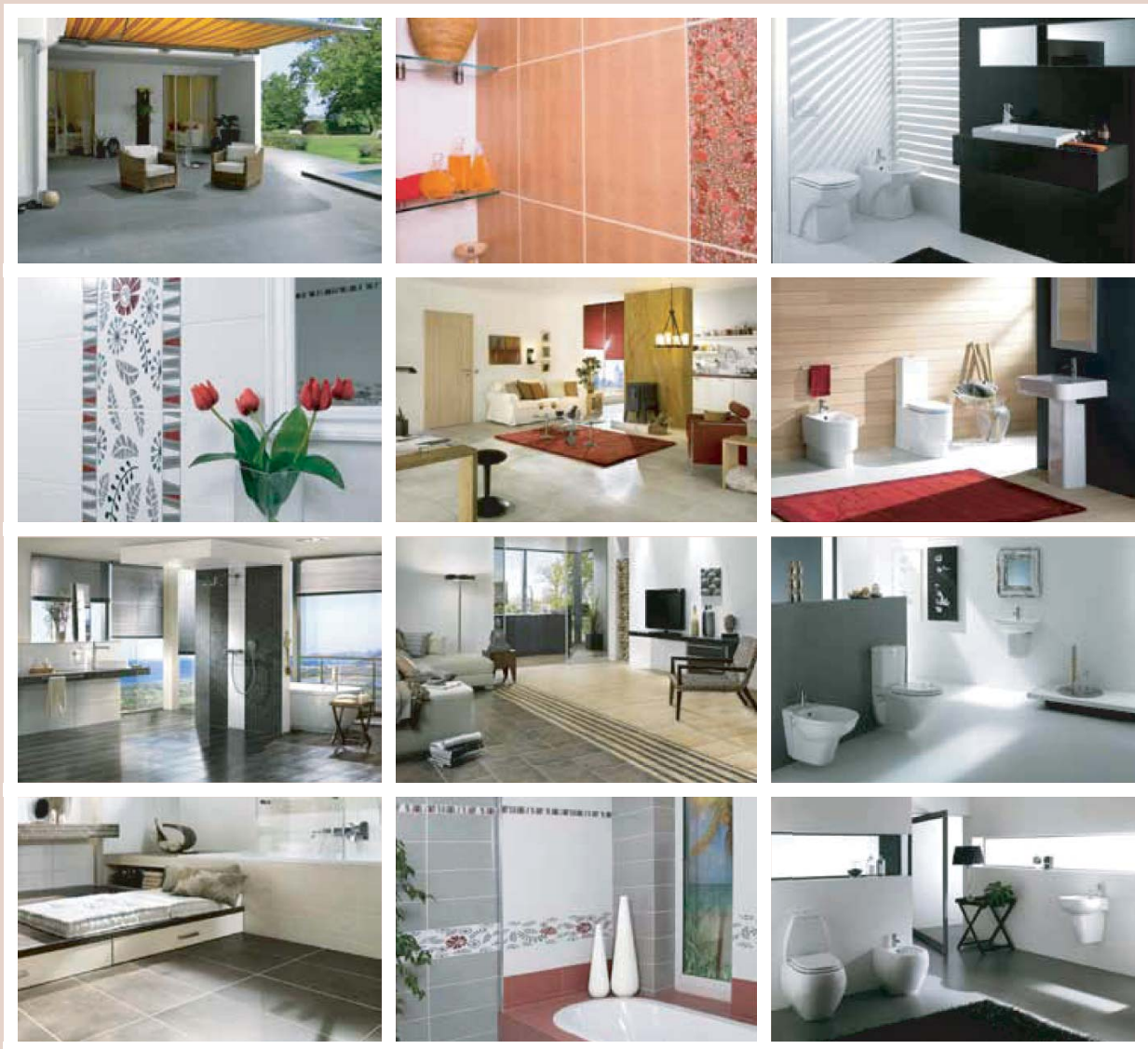
#### BELGIUM

**R.A.K Ceramics Benelux Ltd. Co.**  
Leuvenesteennweg 46, A 1932,  
St Stevens - Woluwe, Belgium  
Tel: +32 02 725 7888  
Fax: +32 02 725 8190  
email: marina.schoonjans@rak.be

#### SAUDI ARABIA

**R.A.K. Ceramics Saudia LLC (Subsidiary)**  
Al-Munajjim Bldg.,  
Al-Takhassussi Road  
P.O. Box- 68647  
Riyadh 11537  
Tel : 00966 1 4889977  
Fax : 00966 1 4884003  
e-mail : raksaudi@hotmail.com





## **CORPORATE HEADQUARTER**

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Tel: +971 7 2445046, Fax: 9717 2445270  
email: rakceram@emirates.net.ae

## **Websites**

[www.rakceramics.com](http://www.rakceramics.com)  
[www.rakeurope.it](http://www.rakeurope.it)  
[www.rakitalia.it](http://www.rakitalia.it)  
[www.rakcerambd.com](http://www.rakcerambd.com)





**RAK Ceramics (Bangladesh) Limited**  
**(Affiliate of RAK Ceramics PSC, UAE)**

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