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Outlook -
Positive

Research Report:

Energy Sector of Bangladesh - Update

Md. Shiful Islam (Noble)
shiful@idlc.com
Research, IDLC Investments Ltd.

“This update expects that most of the streams of energy sector will grow further in the upcoming years and consequently “above average” growth of energy sector may continue during next two/three years horizon.”

Below table shows that earnings based 19.9% price growth was pending for listed company of energy sector in 2013. However, within Aug 2013 the sector return was 29.92%, removing the pricing anomaly.

| | 2009 | 2010 | 2011 | 2012 | Aug 2013 |
|-------------------------------|--------|-------|--------|-------|----------|
| Earnings Growth - Listed Cos. | 26.1% | 25.2% | 25.4% | 8.2% | NA |
| Energy Sector Return | 63.1% | 26.6% | -21.4% | -3.3% | 29.92% |
| Pricing Anomaly | -37.0% | -1.4% | 46.8% | 11.4% | |

Source: Research, IDLC Investments Limited

Abstract

- Renewable energy holds a meager 1.5% of the total energy consumption; therefore, nonrenewable energy is the dominant source of energy consumption.
- Natural Gas reserve is only sufficient to accommodate the nation up to 2021, under certain assumptions. It is sufficient to conclude that we have to shift from natural gas dependency to other source of energy as soon as possible.
- In the natural gas supply chain, though only one company is listed with the local bourses many others are waiting to get listed in coming future.
- To meet the rapidly growing demand, the Government of Bangladesh (GOB) has a plan to increase gas supply to 3,692 MMCFD by Dec 2015 which reveals a CAGR of 26.3% over next two years, surpassing historical growth rates by large scale. This leaves robust growth opportunities for all the companies operating in the supply chain.
- Due to expected volume and price growth, we expect that all the companies operating in natural gas supply chain may experience above historical average growth rate in the top line for the next two/three years.
- In FY 2013-14, BPC has planned to import 5.67 mn MT of petroleum product, registering a 15.1% growth (YoY). All the companies in the petroleum supply chain may experience volume based business growth in the top line, a portion of which is recurring in future, hence sustainable.
- Electricity generation increased by a robust 30.3% in June 2013 from that of June 30, 2011. According to the plan of BPDB (Project list 20.01.2013), some 12,562 MW electricity is to be added to the generation capacity fleet within next five fiscal years (FY 2014-2018). As per planning, this is a 147% growth over the time period on derated capacity of June 30, 2013. This robust growth in electricity generation may make robust growth in the top line of all electricity transmission and distribution companies.
- Above update reveals that most of the streams of energy sector may grow further in the upcoming years and as such we may conclude that “above average” growth of energy sector may continue during next two/three years horizon.

IDLC Investments Limited
Eunoos Trade Centre (Level 21)
52-53, Dilkusha C/A
Dhaka 1000
Bangladesh

+880 (2) 9571 170
+880 (2) 9571 171

www.idlc.com

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