

CREDIT RATING REPORT On BANGLADESH SUBMARINE CABLES PLC

REPORT: RR/85918/24

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance. CRISL followed Corporate Rating Methodology published in CRISL website www.crislbd.com

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-953-0995
Email:
crislhdh@crislbd.com

Rating Contact:

Md. Asiful Huq
Chief Rating Officer
asif@crislbd.com

Analysts:

Jubair Md. Hasan
jubair@crislbd.com

Md. Shahedul Islam
shahedul@crislbd.com

Entity Rating
Long Term: AAA
Short Term: ST-1

Outlook: Stable

**BANGLADESH
SUBMARINE
CABLES PLC**

ACTIVITY
Submarine cable
telecommunication
service provider

**DATE OF
INCORPORATION**
June 24, 2008

CHAIRMAN
Dr. Md. Mushfiqur
Rahman

**MANAGING
DIRECTOR**
Mr. Md. Aslam
Hossain

TOTAL EQUITY
Tk. 15,345.99 million

TOTAL ASSETS
Tk. 22,039.22 million

Public Limited Company

Date of Rating: December 05, 2024	Valid up to: December 04, 2025	
	Long Term	Short Term
Entity Rating	AAA	ST-1
Outlook	Stable	

1.0 RATIONALE

CRISL has re-affirmed the Long Term rating of Bangladesh Submarine Cables PLC (hereinafter referred to as "BSCPLC"/"the Company") at 'AAA' (pronounced as triple A) and the Short Term rating at 'ST-1' on the basis of its audited financials and other relevant quantitative and qualitative information up to the date of the rating.

The above rating indicates BSCPLC's leading position in the market along with a government-supported entity, good equity base, increased capacity, good financial performance, sound liquidity, experienced management team, etc. However, the above factors are constrained to some extent by exposure to market risk, receivable collection risk, operational risk, etc., but these factors are not expected to have any significant impact on BSCPLC during the rating validity period.

The Long Term rating indicates that the entity rated in this category is adjudged to be of the best quality, offer the highest safety, and have the 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.

The Short Term rating indicates the 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.

CRISL has placed the company with a "Stable Outlook" with an expectation of no extreme changes in company fundamentals within the rating validity period.

2.0 CORPORATE PROFILE

2.1 The Genesis

Bangladesh Submarine Cables PLC (BSCPLC), a Government-supported nationwide Submarine Cable Telecommunication service provider, was incorporated on June 24, 2008, as a Public Limited Company under the Companies Act 1994 with an authorized and paid-up capital of Tk. 10,000.00 million and Tk. 1,649.05 million respectively. BSCPLC holds the core internet-Infrastructure assets in Bangladesh and provides services primarily through the international submarine cable and high-capacity optical fiber network. BSCPLC provides bandwidth access to all the telecom operators (e.g. IIG, TGW, Corporate Users, etc.) and plays a central role in the country's telecom ecosystem. The principal activities of the company are to provide high-capacity voice and data bandwidth to all-important places in Bangladesh to get the benefit of all IT-related services. The company has been handling the country's only submarine cable connectivity through SEA-ME-WE-4 (South East Asia Middle East Western Europe) submarine cable (SMW-4) and represents Bangladesh in the SMW-4 international cable consortium, comprising 18 companies from 16 nations. The establishment of the company was done after being separated from Bangladesh Telecommunications Company Limited (BTCL) (previously BTTB) with all assets situated at Jhilongja Cox's-Bazar, the Landing Station. Prior to separation a project namely "Establishment of International Telecommunication System through Submarine Cable" was undertaken by BTCL participating in an international agreement with an International Consortium namely SEA-ME-WE 4. A Vendor Agreement was executed between the representatives of the Government of the People's Republic of Bangladesh (GOB) and the BSCPLC on June 30, 2008, incorporating a statement of certain assets and liabilities as of June 30, 2008.

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Two separate agreements namely Purchase and Lease Agreements were executed on February 12, 2005, between the Government of Bangladesh (GOB) and Islamic Development Bank (IDB) for the sale and leaseback of the project's assets namely "Establishment of International Telecommunication System through Submarine Cable." These agreements were executed in favor of BTB by GOB in the absence of the existence of BSCCL at that time.

The company also signed the Memorandum of Understanding (MOU) for joining the SMW-5 consortium on December 28, 2011, and signed the contract for joining the consortium on March 07, 2014. On March 17, 2017 trial operation of SMW-5 was started, and on September 10, 2017, the Hon'ble Prime Minister of Bangladesh formerly inaugurated the system. The commercial operation of the SMW-5 submarine cable system started on September 17, 2017. Moreover, BSCCL signed the Memorandum of Understanding (MOU) for joining the SMW-6 consortium on September 15, 2019. Later on September 23, 2021, the Construction & Maintenance Agreement (C&MA) was signed with the SMW-6 Consortium. It is expected that the 3rd submarine cable will be commissioned by the year 2026. The 3rd submarine cable will help BSCPLC to achieve an additional 13,200 Gbps of submarine cable capacity towards Singapore in the east as well as towards France in the west separately.

The company also got an IIG license to roll out its own forward-linked business project. As of June 14, 2012, BSCPLC got registered with both the bourses of the country Dhaka Stock Exchange and Chittagong Stock Exchange where its shares are traded as an "A" category Issue. The market capitalization of the company stood at Tk. 26,877.48 as of September 30, 2024. Registered and Corporate Office of BSCPLC is located at Rahmans' Renqum Centre (6th, 7th & 8th floor), 191/B, Tejgaon- Gulshan Link Road, Dhaka-1208 and the landing stations at Jhionga, Cox's Bazar and Kuakata, Potakhali.

2.2 Ownership Pattern as of November 04, 2024

SL No	Name of the Shareholders	Number of Shares	% of Holding
1	Sponsor/Director	189	0.000101%
2	Govt.	143902148	76.937039%
3	Institute	27626488	14.770455%
4	Foreign Investor	3931237	2.101829%
5	Public	11578782	6.190576%
Total		187,038,843	100.00%

As of November 04, 2024, the total outstanding shares of the Company stood at 187,038,843 and being a government-supported entity majority of the shares (76.94%) are held by Government. The rest of the shares are held by the sponsor/director, institutes, the general public, and foreign investors.

3.0 OPERATIONAL MANAGEMENT

3.1 Board of Directors

SL No	Name	Position at Board
1	Dr. Md. Mushfiqur Rahman	Chairman
2	Dr. Md. Jan-E-Alam	Director
3	Brigadier General Ekram Ahmed Bhuyan, afwc, psc	Director
4	Mr. Bidyut Chandra Aich	Director
5	Dr. Md. Mostofa Akbar	Director
6	Mr. Syed Mohammed Kowser Hossain	Director
7	Mr. Md. Maniruzzaman, FCA	Independent Director
8	Mr. Md. Aslam Hossain	Managing Director
9	Casual Vacancy	Independent Director

The Board of Directors of BSCPLC consists of 09 (Nine) members and is Chaired by Dr. Md. Mushfiqur Rahman. Dr. Rahman joined the Posts and Telecommunications Division as secretary on 19th June 2024 and Chairman of BSCPLC on 27th June 2024. Before that, he worked as Chief Executive Officer (Secretary) of the Public Private Partnership Authority (PPPA) from 2nd November 2022. He joined his service on 24 April 1994 as an officer of Bangladesh Civil Service (Administration) cadre. During his long 30 years of service career, he served at the field level as well as at the ministry level. He previously held the position of Director General of the Islamic Foundation. Apart from serving in the Cabinet Division as an Additional Secretary, he worked for the Road Transport and Highways Division and the Ministry of Cultural Affairs.

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08 members Board

He worked successfully as a Deputy Commissioner and District Magistrate of Netrokona, a district of Bangladesh and contributed greatly to different types of innovative, development and service-oriented activities. Dr. Rahman bears a brilliant academic result and he secured first class/division in all the academic examinations throughout his life. He completed his Doctor of Veterinary Medicine and MSc in Microbiology from Bangladesh Agricultural University, Mymensingh. He completed his PhD degree from the same University. He also obtained an MA in Governance and Development from BRAC University, Bangladesh. Mr. Rahman completed many short and certificate courses like a Diploma in Project Planning Development and Management, Harvard senior training program on Public Private Partnership and Project Finance, APMG Certification for Public Private Partnership Professional (CP3P) Foundation. During his service, Dr. Rahman successfully completed multiple professional trainings from home and abroad. He visited a considerable number of foreign countries as a part of carrying out his official duty and professional capacity building. He has 18 research papers published in national and international journals and many research proceedings published in national and international seminars and workshops. Besides, attending national events, he attended many international events where he provided valuable opinions on development administration, good governance, development policies and regulations.

Other Directors of the Board are from different government bodies and eminent personalities from professional & business bodies nominated by the Government. The Board formulates strategic objectives and policies for the company, provides leadership and supervises management actions in implementing the objectives of the company. The Company has been strengthening its toe-hold in the marketplace supported by the dynamic leadership of the top management.

3.2 Board Committees

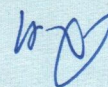
The company has three sub-committees of the Board; Audit Committee; Nomination and Remuneration Committee; and Tariff Committee. The Audit Committee is comprised of two (2) Non-Executive Directors and one (1) Independent Director. The Chair of the Committee is Mr. Md. Maniruzzaman, FCA; an Independent Director. The Nomination and Remuneration Committee (NRC) is comprised of five (05) Non-Executive Directors and one (01) Independent Director. The Chair of the Committee is Mr. Md. Maniruzzaman, FCA, an Independent Director. The Tariff Committee consists of three (03) members who are nominated by the Board.

3.3 Internal Audit and Internal Control

Internal Audit supports the company in achieving its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management, control, and governance processes. In order to ensure organizational independence of Internal Audit, the Head of Internal Audit reports functionally to the Audit Committee and administratively to the Managing Director. Internal Audit activities are governed by the Internal Audit Charter, which is approved by the Board.

BSCPLC, Internal Audit department discharges its assurance and consulting activities through the management of three distinct audit streams: Finance, Technology, and General Business processes. Additionally, a separate team is responsible for quality assurance of internal audit activity. A risk-based annual audit plan is in place, which takes into consideration the strategic imperatives and major risks surrounding BSCPLC.

Corporate Governance is well-built in BSCPLC and has reached to even greater height in terms of sound internal control pursuits within the organization. In 2011, the practice was shifted from passive to active as control owners/performers are now getting more involved, aware, and proactive to ensure internal control rather than being enforced. The scope of Internal Control over Financial Reporting (ICFR) includes Company Level Control (CLC) along with General Computer Control (GCC) as well to ascertain operational efficacy, consistent and dependable financial reporting, information security, and legal compliance. This reasonable assurance has become even more crucial after being a listed company on the country's Stock Exchanges.



Md. Asaduzzaman Khan
Chief Executive Officer
Credit Rating Information and Services Limited

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Experienced
management team

3.4 Corporate Management

SL No.	Name	Position
1	Mr. Md. Aslam Hossain	Managing Director
2	Mr. Mirza Kamal Ahmed	GM (Admin & Finance) & PD (SMW6 Project)
3	Mr. Md. Abdus Salam Khan, FCS	Attached to HR & Admin Branch
4	Mr. Md. Jahangir Alam	DGM (P&D) & GM (P&D) Additional Charge
5	Mr. Shukanta Kumar Debnath, FCA	DGM (Finance & Accounts)
6	Engr. Md. Tariqul Islam	DGM (Operation & Maintenance, KKT LS)
7	Mr. Muhammad Tajul Islam	Deputy General Manager (Internal Audit)
8	Mr. Muhammad Shakawat Hussain	Manager (Customer Care)
9	Mr. Muhammed Shoeb Ali	Manager (BWP) & DGM(BWP), additional charge
10	Mr. Arifur Rahman	Manager (Operation & Maintenance, IIG)
11	Mr. Md. Soriful Haque	Manager (Marketing & Sales)
12	Mr. Kafil Uddin	Manager (Board & Corporate Affairs)
13	Mr. Uzzal Kumar Saha	Manager (Operation, Remote Location)
14	Engr. Jewel Miah	Manager (Operation, COX, LS)
15	Mr. Md. Margoob Mahfuz	Manager (Operation, Kuakata LS)
16	Mr. Saidur Rahman	General Manager (Operation & Maintenance)
17	Mr. Provash Chandra Bhattacharjee	General Manager (Marketing & Sales)
18	Mr. Mohammad Zakirul Alam	DGM (Customer Care) & CS (Additional Charge)
19	Mr. Abdul Wahhab	DGM (O&M, IIG) & DGM (P&L), Additional Charge
20	Mr. Md Ariful Huq	DGM (Marketing & Sales)
21	Mr. Suracit Barua	Deputy General Manager (O&M, Cox LS)
22	Ms. Nazia Hassan	Manager (Development)
23	Mr. Mohammad Shahadat Hossain	Manager (Finance & Accounts)
24	Mr. Subram Kishor Das	Manager (SMW6 Project) & Manager (Estate) AC
25	Mr. Mohammad Anisul Islam, FCS	Manager (Share & Legal)
26	Mr. Md. Rakibul Hossain	Manager (Procurement & Logistics)
27	Mr. Khondker Hayat Mahmud	Manager (HR&A)
28	Engr. Sifat Intiaz Hasan	Manager (Maintenance, COX, LS)

BSCPLC empowers the leadership teams to build their strategic competence, set standards and define the core values and culture of the Company. The operations of BSCPLC are being looked after by an experienced management team having wide exposure in the telecom industry.

It also empowers the leadership teams to build their strategic competence, set standards and define the core values and culture of the Company. Key decision-makers are mostly skilled and the designated top-level employees, professionals and different departments play their roles as a decision support system. The management has delegated some financial and administrative powers to different segments. Delegated Department Heads from each division maintain a specific reporting channel and aid report to the Board from time to time with a summarized performance of the Company. The Managing Director Mr. Md. Aslam Hossain is the Chief Executive to control and supervise the entire vital functions and day-to-day operational activities. He is supported by a pool of senior professionals having reasonable experience in related fields. Mr. Md. Aslam Hossain joined as the Managing Director of Bangladesh Submarine Cables PLC on 22 October 2024 after being nominated by the government and subsequently approved by the BoD of BSCPLC. Mr. Hossain started his career in government services on 25 April 1994 through 13th BCS and belongs to BCS (Telecom) Cadre. He graduated from RUET in EEE in 1991 and later obtained MBA in Finance from the University of Dhaka in 2007. During his early profession, Mr. Hossain served Bangladesh Telegraph and Telephone Board [BTTB] as a career electrical engineer in the posts of Assistant Divisional Engineer, Sub-Divisional Engineer and Divisional Engineer and looked after mainly the digital telephone exchanges in different parts of the country. In 2008, when BTTB turned into a company named Bangladesh Telecommunications Company Limited [BTCL], he was posted there on deputation and started his career as a Project Manager and implemented successfully the project titled 'Replacement of Old Digital Telephone System of Dhaka City Project'. Later, he focused on Government Procurement and eventually became a specialist in Public Procurement, both open tendering and e-tendering [e-GP]. He served BTCL as the Head of the Procurement Unit for more than 5 [five] years. In September 2024, he was promoted to General Manager [Engineering] in the Department of Telecommunications [DoT] and was posted as the Chief General Manager, Dhaka Telecommunications Region [West] under BTCL on deputation.

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Mr. Hossain had an outstanding academic career, earning first-class results in all examinations. During his professional career, he received training at home and abroad, especially in the United States, United Kingdom, Japan, China and Malaysia. He earned a diploma in Telecom Management Studies from the Commonwealth Telecommunications Organization [CTO] conducted by British Telecom in the United Kingdom in 2005.

3.5 Human Resource Management

BSCPLC's recruitment strategy is based on attracting highly qualified candidates through employee networks, selective head-hunting and advertisement. Two Sub-Committees, one for recruitment of officers and the other for the staff, are responsible for recruiting manpower with diverse talent. The Human Resource Department of the company is an important partner in achieving this goal. To ensure success for the Company as a whole, employees are encouraged to engage in synergetic teamwork, and every effort is made to facilitate communication and flow of information. Employee initiative and responsibility are promoted through challenging assignments where rewards are determined by results. Employee turnover at the Company was at a comparable level to the previous year. The total turnover rate for the Company was around zero percent, which is largely dependent on various external factors.

By rewarding for good performance, BSCPLC encourages its employees to invest their full potential for the company and thus support the company to achieve optimal performance. The forms of providing incentives are special honorariums, incentive bonuses etc. Also, the company shares a part of its profit on a regular basis with the employees through the Workers Profit Participation Fund (WPPF). By aligning the interests of employees and shareholders, BSCPLC enables its people to play an even more active role in bringing success to their own community. The total approved manpower of the company is 187 according to the present organogram of the company and the working staff was 136 as of June 30, 2024. Among the employees, 60 are at the officer level and the rest 76 are support staff. Compared to the officers, the number of staff has been found to be on the higher side. Again, the Company had 133 permanents, 4 deputed (from the government) as of June 30, 2024. The Company has its own services regulations approved by the BoDs. The management continuously exerts its efforts to improve the production process and human development by conducting various R&D and on-the-job training programs. Keeping this in view, coordination among the departments by reviewing the performance in every step of operation improves efficiency by ensuring timely delivery according to the customer's demands. The Company provides festival bonus, incentive bonus, profit sharing (WPPF), provident funds, and gratuity to all employees. The performance of the employees is evaluated on a regular basis which is the key basis for promotion to the next higher position.

3.6 IT and MIS

As an IT-based telecom organization, BSCPLC has been operating with good IT infrastructure for tasks related to technology. BSCPLC has System Surveillance Equipment and other specialized software to communicate with other landing stations in a real-time virtual online network. Submarine cable landing stations have a data management system called System Surveillance Equipment (SSE) which allows the operator to monitor and control the entire submarine cable system. The Company has three Network Operation Centers (NOC) located at its head office in Dhaka and the two landing stations. The company provides 24/7 customer support from these NOCs; the company also uses Trouble Ticket for customer complaint management. BSCCL uses standard software for Inventory Management, System Status, Restoration Status, Termination Station Module, etc. Other supporting tasks are less complicated. The practices of the internal control system along with the easy and quick flow of information- assist the management in effectively monitoring the overall activities.

Md. Asaduzzaman Khar
Chief Executive Officer
Credit Rating Information and Services Limited

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4.0 BUSINESS ANALYSIS

4.1 Business Operation

BSCPLC is a core telecommunication infrastructure provider in the country that provides the most vital infrastructure to connect the country with the International Information Superhighway. BSCPLC is an important member of two international submarine cable consortiums, the SEA-ME-WE-4 and the SEA-ME-WE-5 (South East Asia-Middle East-Western Europe-4&5). Through its two submarine cable systems, the SEA-ME-WE-4 and the SEA-ME-WE-5, it provides submarine cable capacity (International Private Leased Circuit (IPLC) to the IIG and IGW operators of the country. The service provided by BSCPLC represents high-quality Bandwidth through Submarine Cable between Bangladesh and several most desired destinations of the world. BSCPLC is the unique provider of Submarine Cable services in the Telecommunications sector and is the major provider of international bulk bandwidth. It acquired the permit/license from the Government of Bangladesh for providing services through submarine cables. The IIG and IGW operators of the country are the main customers of BSCPLC, which is taking the leased facility of international submarine cable capacity (IPLC) at a reasonable and approved tariff rate of the company and based on the license guidelines, terms & conditions, and regulations of the Telecom Regulatory Commission (BTRC). BSCPLC as an ILDC operator, also provides IP Transit service to different IIG operators since 2013 from its own IIG. BSCPLC acquired the International Internet Gateway (IIG) service license from BTRC and started the commercial operation of its IIG unit in 2013. The Company is earning a handsome amount of revenue from the IP Transit services rendered to different IIG and ISP operators.

4.2 Products and Services

BSCPLC is the sole provider of submarine cable bandwidth services in the country and handles the country's submarine cable system. It is also an IIG and ISP service provider. Presently, BSCPLC is providing the following services:

- Bandwidth service for different routes and different levels such as E-1, STM-1, STM-4, STM-16, and STM-64/10GE to the International Internet Gateway (IIG) operators through International Private Leased Circuits (IPLC).
- Bandwidth service (IPLC) for different routes and different levels such as E-1, STM-1, STM-4, STM-16 and STM-64/10GE to the International Gateway (IGW) operators who deal with an International voice call.
- IP transit (Internet bandwidth) to IIGs as an ILTS operator.
- IP transit (Internet bandwidth) to ISPs as an IIG operator.
- IPLC service to different corporate and other customers as permitted by BTRC.
- Co-Locations services at BSCCL's Data Center and Landing Stations.

4.3 Market Position

In the year 2012, Bangladesh Telecommunication Regulatory Commission (BTRC) issued an International Terrestrial Cable (ITC) license to six private operators. The ITC license holders offer services similar to that of BSCPLC. Instead of providing their service through direct connectivity with submarine cable, the ITC operators have terrestrial cables that traverse through to India where they establish connectivity with other networks. Hence, in the present market scenario, ITC license holders are the main competitors of BSCPLC and they sometimes offer lower tariffs to attract customers.

To remain competitive in the market, BSCPLC sometimes needs to reduce its tariff on the IPLC and IP Transit services, which impacts the revenue of the company. Despite tough competition from the ITC operators, BSCPLC still holds around 45% share (up to 30 June 2024) of the international bandwidth market in the country.

Furthermore, BTRC has already provided 3 private operators with the permit to establish submarine cable connectivity in Bangladesh. The operators are likely to commence their operation in 2-3 years' time. This means that BSCPLC will be facing direct competition for its IPLC service from private companies in the upcoming days.

Increased Capacity



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5.0 OPERATIONAL PERFORMANCE

Particulars	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20
Ultimate achievable Capacity (Gbps)	7,220.00	3,420.00	3,370.00	3,000.00	2,800.00
Lit-up Capacity (Gbps)	6,850.00	3,050.00	3,050.00	2,000.00	1,550.00
Utilization (Gbps)	2,696.00	2,556.00	2,068.88	1,563.91	1,102.72

The operational performance of the company has been found to improve throughout the year as the country is going for digitalization resulting in the growing demand for bandwidth. BSCPLC has 4,650 Gbps of capacity in SMW4 submarine cable where almost entirely is in use. Through the implementation of light-up #3 using more advanced technology the ultimate achievable capacity in SMW 5 cable has been increased to about 2,570.00 Gbps. The present lit-up capacity in SMW-5 is 2,200 Gbps out of which 2,100 Gbps is with Singapore and the rest 100 Gbps is with France. BSCCL's two submarine cables- SMW-4 and SMW-5, have a combined design capacity of about 7,220 Gbps. The amount of bandwidth used in the country in June 2024 from BSCPLC's Submarine Cable systems was around 2,696 Gbps excluding IPLC Export to STC & Orange amounting to 863.00 Gbps. Moreover, BSCPLC signed the Memorandum of Understanding (MOU) for joining the SMW-6 consortium on September 15, 2019 which is expected to increase more 13,200 Gbps with the present capacity.

6.0 FINANCIAL PERFORMANCE

6.1 Analytical Framework

As a measure of the quantitative analysis, CRISL's rating spotlights the assessment of the Company's policies regarding operating strategies, economic goals, and financial leverage targets. The sustainability of these credit protection measures is evaluated over a period to assess the growth and robustness of the company's operations and funding capability. Hence the ability to generate cash, the policies of the profit distribution and the generation of service debts along with a sufficient return for continuous access in the fund market are judged where generating cash, turns out to be one of the most crucial parts. The financial strength has been analyzed on the basis of an audited financial statement along with the information provided by the management of the Company.

6.2 Profitability & Earnings Stability

The earnings were derived from the International Private Leased Circuit rent, Circuit activation charge, IP Transit Service, Co-location charges and IPLC-SMW-5-export. The highest revenue of the company was generated from IPLC rent followed by Circuit Activation Charge, IP Transit Service, Co-location charges and IPLC Export.

Revenue Proportion of BSCPLC (Tk. in Million)

Particulars	FY2023-24	(%)	FY2022-23	(%)	FY2021-22	(%)
IPLC	3,125.66	78.43%	3,929.94	76.24%	3,156.14	71.49%
Circuit Activation Charge	12.06	0.30%	19.82	0.38%	14.10	0.32%
IP Transit Service	710.34	17.82%	1,075.11	20.86%	1,122.80	25.43%
Co-location charges	107.04	2.69%	104.67	2.03%	101.90	2.31%
IPLC Export	30.39	0.76%	25.37	0.49%	19.89	0.45%
Total	3,985.48	100.00%	5,154.91	100.00%	4,414.83	100.00%

The turnover experienced a downturn as reflected in revenue growth. Considering the nature of this business, the revenue growth may fluctuate depending on the market competition. The pace of the growth rate has been volatile over the years. This year the revenue growth dropped and it saw a significant decline in revenue to Tk. 3,985.48 million in FY2023-24 decreased from the previous year's Tk. 5,154.91 million registering 22.69% negative growth [FY2022-23: 16.76%]. The revenue declined on account of cable cuts in the Indonesian terrestrial water and price reduction due to the competitive market and disconnection of default clients due to a significant amount of dues from those customers. Moreover, An uneven competition with the ITC Operators, especially those operators who have both NTTN and ITC Licenses.

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Good Financial
Performance

Indicators	30-Sep-24*	30-Jun-24	30-Jun-23	30-Jun-22
Turnover (Tk. in Million)	968.85	3,985.48	5,154.91	4,414.83
Gross Profit (Tk. in Million)	755.26	3,151.49	4,277.92	3,720.35
Profit After Tax (Tk. in Million)	475.57	1,829.92	2,790.30	2,473.98
Cost to Revenue Ratio (%)	22.05	20.93	17.01	15.73
Operating & Admin. Exp. to Rev. Ratio %	21.66	21.24	11.75	11.66
Gross Profit Margin (%)	77.95	79.07	82.99	84.27
Operating Profit Margin (%)	56.29	57.83	71.24	72.61
EBITDA Margin (%)	78.21	75.07	81.73	85.74
Finance Cost to Revenue Ratio %	2.72	2.84	2.45	3.09
Net Profit Margin (%)	49.09	45.91	54.13	56.04
Return on Assets After Tax (%)	2.12	8.54	14.79	16.05
Return on Equity After Tax (%)	3.04	12.46	22.64	25.67
Return on Capital Employed (%)	2.32	9.47	17.04	19.01

*The information is taken from 03 months of unaudited financial statements from 1st July 2024 to 30 September 2024

While analyzing the cost efficiency, CRISL observed that the direct costs of the company increased in the form of increased expenses in electricity and generator fuel and backhaul, data connectivity charge and revenue sharing. However, the operation and administrative expenses increased by 39.82% in the form of operation and maintenance expenses, provision for bad and doubtful debts and depreciation on property, plant and equipment. Overall profitability experienced a decline while the growth of all costs was higher than that of the revenue which barred maintaining a positive margin. It can suffer a further profit loss if the price competition increase and any accident occur in the submarine cable. Consequently, the Gross Profit Margin was stressed down by the drop to 79.07% in FY2023-24 from 82.99% in FY2022-23. It eventually translated into a negative Net Profit Margin of 45.91% in FY2023-24 compared to 54.13% in FY2022-23, though it is considered good in this industry segment. The ability to generate sales by using Fixed Assets and Total Assets is also decreasing. CRISL opines the growth might be slower in the coming years with the existing capacity utilization unless added capacity is not sold out. A decline in profitability signals the deterioration of operating efficiency which may arise from a combined effect of price decline throughout the industry as global competition boosts. CRISL has also considered the Unaudited Financial Statements for the 1st Quarter of FY 2024-25. As per the unaudited accounts, the consolidated turnover stood at Tk. 968.85 million whilst the gross profit stood at Tk. 755.26 million and net profit stood at Tk. 475.57 million.

7.0 CAPITAL STRUCTURE AND SOLVENCY

Particulars	30-Sep-24	30-Jun-24	30-Jun-23	Tk. in Million 30-Jun-22
Current Assets	9,105.77	8,173.85	7,688.62	8,745.02
Less: Current Liabilities	2,043.58	1,946.10	2,291.70	2,683.79
Net Current Assets	7,062.19	6,227.76	5,396.92	6,061.23
Fixed Assets- Net	5,871.53	5,981.96	6,021.29	6,441.54
Net Capital Employed	20,844.21	20,093.12	18,537.51	14,207.99
Financed by:				
Total Non-Current Liability	4,941.81	4,747.12	4,511.99	3,579.45
Shareholders' Equity:				
Share Capital	1,870.39	1,649.06	1,649.06	1,649.06
Retained Earnings	8,732.12	8,254.64	7,257.46	4,466.49
Total Shareholders' Equity	15,902.40	15,346.00	14,025.51	10,628.54
Leverage Ratio (X)	0.44	0.44	0.49	0.59
Debt Service Coverage Ratio (X)	2.82	6.73	9.85	11.51
Interest Coverage Ratio (X)	24.22	21.85	29.40	24.26

The credit risk profile remained almost stable characterized by a sound equity-based capital structure with some dependence on Long-Term debt. Total Current Assets stood at Tk. 8,173.85 million in FY2023-24 against Tk. 7,688.62 million in FY2022-23 registering a positive growth of 6.31%. The leverage position slightly improved in the last year due to a significant equity infusion. Total Equity registered a 9.41% growth in FY2023-24 and stood at Tk. 15,346.00 million- mostly comprised of aggregate Retained Earnings of Tk. 8,254.64 million and Equity Money from GoB for the Regional Submarine Telecommunications Project, Bangladesh-SMW-5, and the Installation of the 3rd Submarine Cable-SMW-6.

Equity-Based Capital
Structure

Good Debt Servicing
Capacity

CREDIT RATING REPORT On BANGLADESH SUBMARINE CABLES PLC

Growth funding of the Company is mostly characterized by internal funding which impacted its leverage position as expressed by the Debt/Equity ratio of 0.44x in FY2023-24 (FY2022-23: 0.49x) generating low credit risk exposure.

The solid and sound coverage position was observed in the latest period expressed by 6.73x of DSCR and 21.85x of EBIT to Interest ratio to meet its financial charges. In a nutshell, total financial indicators did not vary largely compared to those of previous years. However, any undertaking of external debt may impact the cash flow and worsen the leverage position in the future which might impede its performance to some extent.

8.0 LIQUIDITY AND FUND MANAGEMENT

Indicators	30-Sep-24	30-Jun-24	30-Jun-23	30-Jun-22
Current Ratio (X)	4.46	4.20	3.35	3.26
Quick Ratio (X)	4.46	4.20	3.35	3.26
Net Working Capital (Tk. in million)	7,062.19	6,227.76	5,396.92	6,061.23
Operating Cash Flow (Tk. in million)	320.49	2,907.26	2,421.34	2,764.22

The overall liquidity profile of BSCPLC remained almost stable irrespective of the same business strategy when sales growth slightly declined. The company has been operating with good liquidity over the years. Net Working Capital has increased by 15.39% which was the main factor of Total Asset growth. The company has been involved in service-oriented operations thereafter the business operation completely excludes any existence of inventory, thus both the current ratio and quick ratio have been the same. Furthermore, the liquidity measures are emphasized more on the future Cash Flow generation ability rather than the maximization of profits. The Cash Flow from the Operation was stable. Divergent Cash Flow measures after adjusting Sales with Debtors and Cost of Operation and Advances reflected positive Cash Flow. Subsequently, positive Cash Flow also indicates the Company has Tk. 2,907.26 million of surplus Cash in Hand to reinforce the revenue growth and relax Working Capital Management.

9.0 CREDIBILITY AND PAYMENT EFFICIENCY

9.1 Financial Facility from IDB

A loan has been taken from the Islamic Development Bank (IDB) through the Bangladesh Government for the implementation of the Regional Submarine Telecommunications Project, Bangladesh (SMW-5). An agreement named Installment Sale Agreement between the Government of the People's Republic of Bangladesh and IDB has been signed on 27 August 2014 with effect from 24 November 2014 for a loan amount of USD 44 million. The actual loan received by BSCPLC is USD 38.048 million. Subsequently, BSCPLC signed a subsidiary loan agreement with the Government of People's Republic of Bangladesh, Ministry of Finance, Finance Division on 15 February 2015. This sub-loan is for 13 years term with a gestation period of 03 years and the interest payable is at 6.00% per annum. As of September 15, 2024 the outstanding liability position of this loan stood at Tk. 1,766.08 million.

10.0 RISK MANAGEMENT

10.1 Technological Risk

The most crucial risk in the IT sector is rapid technological change. At present, the world is going through a technological revolution. However, the company has been using the latest technology and has the provision to upgrade the system only through changing terminal equipment. Already the SMW-4 submarine cable system has been upgraded four times which has enhanced its capacity and efficiency. The Company has established the 2nd Submarine cable system at Kuakata, Patuakhali. BSCPLC signed the Memorandum of Understanding (MOU) for joining the SMW-6 consortium on September 15, 2019. Later on September 23, 2021, the Construction & Maintenance Agreement (C&MA) was signed with the SMW-6 Consortium. It is expected that the 3rd submarine cable will be commissioned by the year 2025. The 3rd submarine cable will help BSCPLC achieve an additional 13,200 Gbps of submarine cable capacity towards Singapore in the east as well as towards France in the west separately. It is expected that within the next couple of years, there will be no significant investment requirements for the existing infrastructure of the company. So risk exposure for the company regarding technology remains at an acceptable level.

Sound Liquidity

CREDIT RATING REPORT On BANGLADESH SUBMARINE CABLES PLC

10.2 Market Risk

One of the major market risks for BSCPLC is new competition. BSCPLC is the sole owner of the submarine cable systems of Bangladesh. However, the government awarded licenses to six companies for International Terrestrial Cable (ITC). As a result, the ITC operators are also offering similar services to those offered by BSCPLC to its customers, sometimes at cheaper prices. Some of the ITC license holders also possess NTFN licenses which are an added advantage for them. However, it is expected that the ITC operators will not be able to offer the quality services that BSCPLC provides to the customers as their connectivity includes a very long land transmission path from Bangladesh to Mumbai or Chennai cable landing stations which is vulnerable to frequent cable cuts. The quality of bandwidth of BSCPLC is also better because of lower latency. Thereafter the exposure to market risk remains low for the company. Also, the Government has issued submarine cable operating licenses to private operators which has created some competition that may adversely affect the business growth of the company.

10.3 Operational Risk

If the submarine cable connectivity gets disconnected accidentally or there is planned maintenance in the submarine cable route, the country suffers adversely in terms of voice and data communication for at least 5-7 days till the cable gets repaired. Fortunately, BSCPLC now has two submarine cable systems which considerably reduces the risk of the said black-out. But if both the submarine cables get disconnected at the same time, though the probability is very low, still international data and voice communication will remain active at a lower scale through satellite systems and ITC systems. However, the company can cope with such a situation through diversion facilities availed through the new submarine cable system, and therefore, the operational risk associated with the concern remains very low.

10.4 Pricing Risk

BSCPLC is almost in a monopoly position in the submarine cable market; therefore, it has enough flexibility to change the price of its services when required. However, BTRC and the Government are the bodies that sometimes control the price. Government and stakeholders are creating pressure to reduce IPLC charges which might reduce the expected total revenue of the company. So, the pricing risk for the company is in place. Such reduction negatively impacts adversely the revenue generation of the company. However, the company intends to adjust price versus sales volume to address this risk and keep exposure to the risk at an acceptable level.

11.0 OBSERVATION SUMMARY

Rating Comforts: <ul style="list-style-type: none"> Government supported entity Good equity base Increased capacity Good financial performance Sound liquidity Experienced management team 	Rating Concerns: <ul style="list-style-type: none"> Exposed to market risk Exposed to receivables collection risk Exposed to operational risk Exposed to price fixation risk
Business Opportunities: <ul style="list-style-type: none"> Rapid growth in the demand for Internet bandwidth Export of excess bandwidth 	Business Challenge: <ul style="list-style-type: none"> Rapid technological change Increased competition due to private sector bandwidth business

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement.)

We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.)

CREDIT RATING REPORT On BANGLADESH SUBMARINE CABLES PLC

CRISL RATING SCALES AND DEFINITIONS LONG-TERM RATINGS OF CORPORATE

RATING	DEFINITION
AAA Triple A (Highest Safety)	Investment Grade Entity rated in this category is 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)	Entity rated in this category is 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- (Adequate Safety)	Entity rated in this category is 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)	Entity rated in this category is 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)	Speculative Grade Entity rated in this category is 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)	Entity rated in this category is 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)	Entity rated in this category is 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)	Entity rated in this category is adjudged to be very highly vulnerable. Entity might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support.
C+, C, C- Single C (Extremely Speculative)	Entity rated in this category is 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)	Default Grade Entity rated in this category is 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

ST-1	Highest Grade 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	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	Good Grade 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	Moderate Grade 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	Non-Investment/Speculative Grade 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	Default Entity is in default or is likely to default in discharging its short-term obligations. Market access for liquidity and external support is uncertain.

Handwritten signature

Md. Asaduzzaman Khan
Chief Executive Officer
Credit Rating Information and Services Limited

CREDIT RATING REPORT On BANGLADESH SUBMARINE CABLES PLC

CRISL RATING SCALES AND DEFINITIONS BANK LOAN/ FACILITY RATING SCALES AND DEFINITIONS- LONG-TERM

RATING	DEFINITION
blr AAA (blr Triple A) (Highest Safety)	Investment Grade Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carry almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
blr AA+, blr AA, blr AA- (Double A) (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
blr A+, blr A, blr A- Single A (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
blr BBB+, blr BBB, blr BBB- Triple B (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
blr BB+, blr BB, blr BB- Double B (Inadequate Safety)	Speculative/ Non Investment Grade Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client are below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loans / facilities need strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
blr B+, blr B, blr B- Single B (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support. Special monitoring is needed from the financial institutions to recover the installments.
blr CCC+, blr CCC, blr CCC- Triple C (Risky)	Risky Grade Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loans / facilities need strong monitoring from bankers side for recovery.
blr CC+, blr CC, blr CC- Double C (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
blr C+, blr C, blr C- (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
blr D (Default)	Default Grade Entities rated in this category are adjudged to be either already in default or expected to be in default.

SHORT-TERM RATINGS

blr ST-1	Highest Grade 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.
blr ST-2	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
blr ST-3	Good Grade 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.
blr ST-4	Satisfactory Grade Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
blr ST-5	Non-Investment Grade Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
blr ST-6	Default Institution failed to meet financial obligations