Internship Report
On
An Overview of the Financial Performance of Grameenphone Limited

Submitted to:
Dr. Tanvir Ahmed Chowdhury
Professor
Department Of Business Administration
East West University

Submitted by:
Abu Sayed Md. Razib
Id: 2008-1-10-083

Department Of Business Administration

EAST WEST UNIVERSITY
LETTER OF TRANSMITTAL

December 18, 2010

Dr. Tanvir Ahmed Chowdhury
Professor
Department Of Business Administration
East West University,
43 Mohakhali C/A,
Dhaka, Bangladesh.

Subject: Submission of the Internship Report.

Dear Sir:

I am really grateful for getting the chance to submit the internship report titled "An Overview of the Financial Performance of Grameenphone Limited" as a requirement of the Internship program. In this report I have tried to find out the overall financial performance of Grameenphone for 2005-2009.

Due to company policy over company confidentiality, few experiences have not been shared. I hope you will assess this report considering all limitations. I believe your feedback will help me out in near future.

Thank you very much and I will cordially welcome any clarification and suggestion about any view and conception disseminated through this report.

Sincerely yours,

Abu Sayed Md. Razib
ID: 2008-1-10-083
Contact:
Cell phone: 01712605728
Email: asmr.2008@gmail.com
I am Abu Sayed Md. Razib, have worked in Grameenphone Property and Facility Services (PFS) under People and Organization as an intern from 10th October, 2010 to 7th January, 2011. At first I would like to thank Almighty Allah, who gave me the strength and ability to successfully complete the report. During this limited time, the completion of this report was possible because of the cooperation of many people. I would like to thank them all.

I offer my most sincere admirations to all of those who provided their invaluable advices and encouragements in this endeavor. I am truly grateful to all the employees of Grameenphone Property and Facility Services especially my supervisor, Mr. Md. Mahmudul Hasan, Senior Executive, Property and Facility Services. Sharing of his experiences supported me a lot in completing the report. I express my heartiest regards for him.

I would like to express my extreme appreciation to my honorable Academic supervisor, Dr. Tanvir Ahmed Chowdhury, Professor; Department of Business Administration, East West University. His encouragements and advices worked as a foundation stone for this report. I convey my gratitude for his time and continuous supports.

Acknowledgements to my family and friends, for who gave their support and motivation, without which the completion of this task would have been impossible.
EXECUTIVE SUMMARY:

Grameenphone, widely known as GP, is the leading telecommunications service provider in Bangladesh. With more than 28 million subscribers (as of October 2010), Grameenphone is the largest cellular operator in the country. It is a joint venture enterprise between Telenor and Grameen Telecom Corporation, a non-profit sister concern of the internationally acclaimed microfinance organization and community development bank Grameen Bank. Telenor, the largest telecommunications company in Norway, owns 55.8% shares of Grameenphone; Grameen Telecom owns 34.2% and the remaining 10% is publicly held. Grameenphone was the first company to introduce GSM technology in Bangladesh. It also established the first 24-hour Call Center to support its subscribers. With the slogan *Stay Close*, stated goal of Grameenphone is to provide affordable telephony to the entire population of Bangladesh.

Grameenphone received a license for cellular phone operation in Bangladesh from the Ministry of Posts and Telecommunications on November 28, 1996. Grameenphone started operations on March 26, 1997, the Independence Day in Bangladesh. Grameenphone originally offered a mobile-to-mobile connectivity (widely known as GP-GP connection), which created a lot of enthusiasm among the users. It became the first operator to reach the million subscriber milestone as well as ten million subscriber milestones in Bangladesh.

The mobile phone market of the Bangladesh is a highly competitive market and Grameenphone (GP) Limited, a subsidiary of Telenor Mobile Communication AS, is the market leader in this field. It is the only company which earns profit throughout the last 13 years in this sector of the country. This report is conducted to know the current financial situation of GP.

The financial ratios indicate high profitability position of GP considering its size and scale of operation in spite of recent downturn in the ratios. Slow down of revenue growth due to reduction in tariff structure (high competition affects GPs pricing power) and higher asset growth and revenue growth (Asset Growth: 2008 22.3%; Revenue Growth 2009: 6.0%) partly attributes to the profitability level. The total revenue of GP increased by 6.0% in 2009 and stood at around BDT 65,300 million. GP earned its revenue from different sources i.e. tariff, subscription fees and roaming charge from its prepaid and post paid customers, revenue from interconnection mobile operator, VAS, SMS, MMS and other non mobile revenue. The net profit after tax increased 402% in 2009 than the previous year. In Capital Expenditure account there is a downward shift, which is very good sign for the company. The company also maintains a balanced level of equity and debt.

From the analysis it can be conclude that the performance of the Grameenphone whether it is financial performance or market performance, is quiet satisfactory. Though some negative things are seen in their market performance in recent time it will not so much affect them,
because it has a huge customer base, established infrastructure, network and greater customer loyalty. Moreover the company will enjoy reduced tax rate from that year, which is an extra benefit for them. So by considering the overall situation of the market it can be said that Grameenphone will enjoy profitability and remain as market leader for long time.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Transmittal</td>
<td>i</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>ii</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>iii</td>
</tr>
<tr>
<td><strong>Chapter 1:</strong></td>
<td></td>
</tr>
<tr>
<td>1 Introduction</td>
<td></td>
</tr>
<tr>
<td>1.1 Origin of the Report</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Objectives of the report</td>
<td>1</td>
</tr>
<tr>
<td>1.2.1 Primary Objectives</td>
<td>1</td>
</tr>
<tr>
<td>1.2.2 Secondary Objectives</td>
<td>1</td>
</tr>
<tr>
<td>1.3 Organization of the report</td>
<td>2</td>
</tr>
<tr>
<td>1.4 Scope of the report</td>
<td>2</td>
</tr>
<tr>
<td>1.5 Methodology and sources of data</td>
<td>2</td>
</tr>
<tr>
<td>1.5.1 Primary source</td>
<td>2</td>
</tr>
<tr>
<td>1.5.2 Secondary source</td>
<td>2</td>
</tr>
<tr>
<td>1.6 Limitations of the report</td>
<td></td>
</tr>
<tr>
<td><strong>Chapter 2:</strong></td>
<td></td>
</tr>
<tr>
<td>2 Telecommunication Industry in Bangladesh - An Overview</td>
<td></td>
</tr>
<tr>
<td>2.1 Telecommunication Industry in SAARC Countries</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Telecommunication Industry in Bangladesh</td>
<td>5</td>
</tr>
<tr>
<td>2.2.1 Foreign Direct Investment in Bangladesh</td>
<td>6</td>
</tr>
<tr>
<td>2.2.2 Contribution to the Government</td>
<td>6</td>
</tr>
<tr>
<td>2.2.3 Growth of Mobile phone subscribers in Bangladesh</td>
<td>7</td>
</tr>
<tr>
<td>2.2.4 Market share analysis of the industry</td>
<td>7</td>
</tr>
<tr>
<td>2.3 A brief introduction of the mobile phone operators</td>
<td>12</td>
</tr>
<tr>
<td>2.3.1 Axiata Bangladesh Limited</td>
<td>12</td>
</tr>
<tr>
<td>2.3.2 Warid Telecom</td>
<td>13</td>
</tr>
<tr>
<td>2.3.3 Pacific Bangladesh Telecom Limited (PBTL)</td>
<td>14</td>
</tr>
<tr>
<td>2.3.4 Teletalk Bangladesh Limited</td>
<td>15</td>
</tr>
<tr>
<td>2.3.5 Grameenphone Limited</td>
<td>16</td>
</tr>
<tr>
<td>2.3.6 Orascom Telecom Bangladesh Limited</td>
<td>16</td>
</tr>
<tr>
<td><strong>Chapter 3:</strong></td>
<td></td>
</tr>
<tr>
<td>3 Company Profile: Grameenphone Limited</td>
<td></td>
</tr>
<tr>
<td>3.1 History</td>
<td>18</td>
</tr>
<tr>
<td>3.1.1 Vision of Grameenphone</td>
<td>20</td>
</tr>
<tr>
<td>3.1.2 Value Statements of Grameenphone</td>
<td>20</td>
</tr>
<tr>
<td>3.1.3 Grameenphone’s Competitive Strength</td>
<td>20</td>
</tr>
<tr>
<td>3.2 Objectives of the Company</td>
<td>22</td>
</tr>
<tr>
<td>3.3 Strategies of Grameenphone</td>
<td>23</td>
</tr>
</tbody>
</table>
CONTENTS

3.4 Achievements .......................................................... 25
3.5 Company Structure .................................................. 27
  3.5.1 Telenor Mobile Communications ............................. 27
  3.5.2 Grameen Telecom ................................................ 28
3.6 Growth of Grameenphone subscribers ............................ 28
3.7 Products and Services of Grameenphone ......................... 29
  3.7.1 Village Phone Program ......................................... 30
  3.7.2 Community Information Center ............................... 31
  3.7.3 Grameenphone Centers ......................................... 32
  3.7.4 Additional Services ............................................ 32
3.8 Contribution to the National Exchequer ......................... 33
3.9 SWOT analysis of the company .................................... 34
3.10 Network Coverage of Grameenphone .............................. 36
3.11 Grameenphone Corporate Governance ........................... 37
  3.11.1 Board of Directors ............................................ 37
  3.11.2 Board Committee ............................................. 37
  3.11.3 Management Team ............................................. 39
  3.11.4 Control Environment in Grameenphone ..................... 39
3.12 Management Team of Grameenphone Limited .................... 43

Chapter 4:
4 Financial Performance Analysis ..................................... 45
  4.1 Analysis of Financial performance of Grameenphone ............ 45
  4.2 Five year financial summary ..................................... 45
  4.3 Financial Analysis ................................................ 47
    4.3.1 Revenue ....................................................... 47
    4.3.2 Profit before tax ............................................. 48
    4.3.3 Net Profit after tax ........................................... 49
    4.3.4 Capital Expenditure .......................................... 50
    4.3.5 Operating Cost ............................................... 50
    4.3.6 Total Assets .................................................. 51
    4.3.7 Owners Equity and Liability ................................. 52
    4.3.8 Other Analysis ............................................... 53
  4.4 Ratio Analysis .................................................... 57

Chapter 5:
5 Findings and recommendation ...................................... 61

Chapter 6:
6 Conclusions ............................................................ 63

Appendix ........................................................................ 64
  List of Abbreviations .................................................. 64
  Bibliography ............................................................ 65
LIST OF TABLES:

<table>
<thead>
<tr>
<th>TABLES</th>
<th>PAGE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1: Number of telephones per 100 inhabitants in SAARC countries</td>
<td>4</td>
</tr>
<tr>
<td>Table 2: Telecommunication Indicators in Bangladesh (2004-2008)</td>
<td>5</td>
</tr>
<tr>
<td>Table 3: Analysis of the Mobile Phone subscribers</td>
<td>7</td>
</tr>
<tr>
<td>Table 4: Total Market share of the mobile phone operators (As of October 2010)</td>
<td>9</td>
</tr>
<tr>
<td>Table 5: Major Shareholdings as of 31 December 2009</td>
<td>27</td>
</tr>
<tr>
<td>Table 6: Growth of GP subscribers</td>
<td>29</td>
</tr>
<tr>
<td>Table 7: Contribution to National Exchequer</td>
<td>33</td>
</tr>
<tr>
<td>Table 8: Operational results (2005-2009)</td>
<td>45</td>
</tr>
<tr>
<td>Table 9: Financial position (2005-2009)</td>
<td>46</td>
</tr>
<tr>
<td>Table 10: Financial ratios (2005-2009)</td>
<td>46</td>
</tr>
<tr>
<td>Table 11: Ordinary share information (2005-2009)</td>
<td>46</td>
</tr>
<tr>
<td>Table 12: GP Revenue for 5 years</td>
<td>47</td>
</tr>
<tr>
<td>Table 13: Profit before taxes for 5 years</td>
<td>48</td>
</tr>
<tr>
<td>Table 14: Net Profit after Taxes for 5 years</td>
<td>49</td>
</tr>
<tr>
<td>Table 15: Capital Expenditure for 5 years</td>
<td>50</td>
</tr>
<tr>
<td>Table 16: Operating cost and Non operating cost for 5 years</td>
<td>50</td>
</tr>
<tr>
<td>Table 17: Total Assets of Grameenphone for 5 years</td>
<td>51</td>
</tr>
<tr>
<td>Table 18: Total Owners Equity and Liability for 5 years</td>
<td>52</td>
</tr>
<tr>
<td>Table 19: Net cash flow per share for 5 years</td>
<td>53</td>
</tr>
<tr>
<td>Table 20: Net asset value per share for 5 years</td>
<td>54</td>
</tr>
<tr>
<td>Table 21: Adjusted Earnings per share</td>
<td>55</td>
</tr>
<tr>
<td>Table 22: Average Revenue per User for 5 years</td>
<td>56</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES:

<table>
<thead>
<tr>
<th>FIGURES</th>
<th>PAGE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1: Number of telephones per 100 inhabitants in SAARC countries</td>
<td>4</td>
</tr>
<tr>
<td>Figure 2: FDI by the Mobile operators</td>
<td>6</td>
</tr>
<tr>
<td>Figure 3: Contribution of the Mobile Telecommunication Industry (BDT crore)</td>
<td>7</td>
</tr>
<tr>
<td>Figure 4: Active mobile phone subscribers as of October, 2010</td>
<td>8</td>
</tr>
<tr>
<td>Figure 5: Market growth of the mobile telecommunication industry in last three years</td>
<td>9</td>
</tr>
<tr>
<td>Figure 6: Distribution of the Market share of the mobile phone operators</td>
<td>10</td>
</tr>
<tr>
<td>Figure 7: 35 Months Performance of the mobile service Operators based on Market Share</td>
<td>11</td>
</tr>
<tr>
<td>Figure 8: Major Shareholdings of Grameenphone</td>
<td>27</td>
</tr>
<tr>
<td>Figure 9: Growth of Grameenphone subscribers</td>
<td>29</td>
</tr>
<tr>
<td>Figure 10: Products and services of Grameenphone</td>
<td>30</td>
</tr>
<tr>
<td>Figure 11: Contribution to National Exchequer</td>
<td>34</td>
</tr>
<tr>
<td>Figure 12: SWOT Analysis</td>
<td>35</td>
</tr>
<tr>
<td>Figure 13: Network coverage of GP</td>
<td>36</td>
</tr>
<tr>
<td>Figure 13: Grameenphone Organogram</td>
<td>44</td>
</tr>
<tr>
<td>Figure 14: Revenue (2005-2009)</td>
<td>47</td>
</tr>
<tr>
<td>Figure 15: Profit before taxes and tax paid</td>
<td>48</td>
</tr>
<tr>
<td>Figure 16: Net Profit after Tax (2005-2009)</td>
<td>49</td>
</tr>
<tr>
<td>Figure 17: Capital Expenditure (2005-2008)</td>
<td>50</td>
</tr>
<tr>
<td>Figure 18: Operating cost and non-operating cost</td>
<td>51</td>
</tr>
<tr>
<td>Figure 19: Total Assets (2005-2009)</td>
<td>52</td>
</tr>
<tr>
<td>Figure 20: Total Owners Equity and Liability (2005-2009)</td>
<td>53</td>
</tr>
<tr>
<td>Figure 21: Net cash flow per share (2005-2008)</td>
<td>54</td>
</tr>
<tr>
<td>Figure 22: Net asset value per share (2005-2009)</td>
<td>55</td>
</tr>
<tr>
<td>Figure 23: Adjusted Earnings per share (2005-2009)</td>
<td>55</td>
</tr>
<tr>
<td>Figure 23: Average Revenue per User (2005-2009)</td>
<td>56</td>
</tr>
<tr>
<td>Figure 24: Performance at a glance, as of December,2009</td>
<td>57</td>
</tr>
<tr>
<td>Figure 25: Return on equity (2005-2009)</td>
<td>59</td>
</tr>
<tr>
<td>Figure 26: Return on asset (2005-2008)</td>
<td>59</td>
</tr>
</tbody>
</table>
Chapter 1

INTRODUCTION
1.1 ORIGIN OF THE REPORT:

The four year Bachelors of Business Administration program consists of eleven semesters' academic program for the building up of the theoretical knowledge about business administration which is the base of practical knowledge and one semester BBA Internship program is an attempt to provide business graduates an orientation to a real life business situation in which they can observe and evaluate the use and applicability of the theoretical concepts which were taught in the classrooms. The preparation of this report is the primary requirement of the course BUS499-Internship.

This report “An Overview of the Financial Performance of Grameenphone Limited.” is the outcome of 3 month internship at the Property and Facility Services Department under the People and Organization Department at the Head Office of Grameenphone Limited. During this time period I was assigned with various types of duties mainly related with the facilities services. I was under the supervision of Mr. Md. Mahmudul Hasan, Senior Executive, Property and Facility Services. I have prepared this Internship report with the mentioned topic which was suggested and supervised by my academic supervisor, Dr. Tanvir Ahmed Chowdhury, Professor; Department of Business Administration, East West University.

1.2 OBJECTIVES OF THE REPORT:

1.2.1 Primary Objectives:

- To present an overview of the Telecom industry of Bangladesh.
- To present a background and introduction of Grameenphone Limited.
- To focus on the business and operations of the company.
- To appraise the financial performance of Grameenphone.
- Identify the findings of analysis and finding out the problems of Grameenphone.
- Provide recommendation based on the findings.
- To build a bridge between theoretical knowledge and practical experience.

1.2.2 Secondary Objectives:

- To have knowledge on Grameenphone Limited and the overall mobile industry.
- To fulfill the requirements of the internship program.
1.3 ORGANIZATION OF THE REPORT:

The report consists of four chapters. The parts that consists the report are following:

- **Telecommunication industry in Bangladesh**: This chapter tries to show the overall condition and future prospect of telecommunication industry of Bangladesh.

- **Company profile: Grameenphone**: A brief narration of the organization I selected for my report.

- **Financial Performance Analysis**: In this chapter, Grameenphone’s financial performance analyses have been done.

- **Findings and Recommendation**: This chapter contains the findings of the analysis part and the recommendation based on the findings.

- **Conclusion**: In this chapter I presented the gist of my report.

1.4 SCOPE OF THE REPORT:

The scope of the study is limited within telecommunication business in Bangladesh. It is also limited within the organization of Grameenphone Ltd. and especially within Property and Facility services Division of the company. Here I discuss mostly with the matter related to the topics of the report.

1.5 METHODOLOGY AND SOURCES OF DATA:

For the purpose of the report data and information have been collected from both primary and secondary sources.

- **1.5.1 Primary source**:

  The relevant information collected from primary sources is collected in an informal way. I have interviewed and taken some suggestions orally from the personnel of Grameenphone Ltd. Besides this, regular conversations with many GP employees have helped me a lot.

- **1.5.1 Secondary source**:

  The secondary sources for data collection are published annual reports of Grameenphone. Information was also taken from books and journals and also from the Internet.
1.6 LIMITATIONS OF THE REPORT:

The major limitation factor for this report is primarily the reluctance and strict adherence to confidentiality maintenance attitude shown by the officials of Grameenphone. Furthermore, some information was withheld to retain confidentiality of the companies. Some other limitations are:

- The term paper was prepared within a very short time considering the topics related to it. That’s why; it was not possible to demonstrate all aspects of the report.

- It was really difficult for me to accumulate confidential financial data.

- The annual report for the year 2010 has not been published yet. This internship report would be more consistent if I can get the recent year’s information.

- The data required for sufficient analysis for preparing the report could not be collected due to the insufficiency of data.

- Data from different sources were quite inconsistent which created some problems in making the report & compelled me to verify the data diligently.

- Being a student, this type of report preparation was expensive.
Chapter 2

TELECOMMUNICATION INDUSTRY IN BANGLADESH – AN OVERVIEW
2.1 TELECOMMUNICATION INDUSTRY IN SAARC COUNTRIES:

Bangladesh has one of the lowest teledensity and the lowest telephone penetration rates in the world and even in the South Asia. According to the International Telecommunication Union (ITU) report, the telecommunication revenue as a percentage of the GDP is also low in Bangladesh compared to the other regional countries. Among the SAARC countries per 100 inhabitants Maldives has the highest teledensity while Bangladesh has the lowest.

Table 1: Number of telephones per 100 inhabitants in SAARC countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Bangladesh</th>
<th>India</th>
<th>Pakistan</th>
<th>Nepal</th>
<th>Bhutan</th>
<th>Maldives</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of telephones per 100 inhabitants</td>
<td>0.79</td>
<td>4.01</td>
<td>2.90</td>
<td>1.34</td>
<td>2.03</td>
<td>16.92</td>
<td>8.10</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2001

Figure 1: Number of telephones per 100 inhabitants in SAARC countries

From the above diagrams, we can see that Bangladesh has the lowest (0.79) teledensity among the SAARC countries. Maldives has the highest teledensity, which is 16.92. The lowest teledensity of Bangladesh indicates that in Bangladesh there is a huge prospect of the telecommunication industry.

More recent data shows that the teledensity of Bangladesh increased significantly as the mobile telecommunication operators performing well in their business.
2.2 TELECOMMUNICATION INDUSTRY IN BANGLADESH:

The telecommunication sector in Bangladesh is poised for rapid growth in recent years. The concept of mobile telephony has become largely familiar and phenomenal in Bangladesh from the early 90s. The communication sector particularly mobile phones, is one of the fastest growing areas of the economy. The growth potentials will continue to remain robust for the foreseeable future.

The vision of Bangladesh is to establish itself as an ICT-driven nation. The mission is to build a country-wide ICT infrastructure in order to ensure access to information to every citizen to assist the empowerment of people for sustainable economic development. After the deregulation of the industry, the private sector was authorized to enter the Mobile and Public Switch Telephone Network (PSTN) communication business. There has been large amount of investments from domestic and foreign investors in the PSTN and mobile technologies. Due to this, access to telecommunications increase rapidly. The teledensity which stood less than one percent at the dawn of the new millennium, almost touched 30% mark in 2008. A comparative statement of teledensity in Bangladesh in recent years is given below:

Table 2: Telecommunication Indicators in Bangladesh (2004-2008)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2006</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>140.40</td>
<td>138.80</td>
<td>135.20</td>
</tr>
<tr>
<td>Mobile phones (million)</td>
<td>43.70</td>
<td>21.88</td>
<td>4.15</td>
</tr>
<tr>
<td>Fixed line (PSTN)(million)</td>
<td>1.28</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Total telecom users (million)</td>
<td>44.98</td>
<td>22.88</td>
<td>5.05</td>
</tr>
<tr>
<td>Teledensity (%)</td>
<td>32.04</td>
<td>16.48</td>
<td>3.74</td>
</tr>
</tbody>
</table>

Source: BTRC June 2008, Telecommunication Indicators in Bangladesh

Bangladesh’s mobile phone market has achieved exceptional growth since the beginning of 2004, registering a massive 100% growth in its subscriber base during 2004, and 137% during 2005. This trend is forecast to continue over the coming years, bringing the subscriber base to 58.2 million by 2010. The recent growth in the Bangladesh mobile market can be attributed to factors such as the deregulation of the telecommunication sector, low levels of teledensity, inadequate fixed phone infrastructure, high competition following the entry of two new operators (Banglalink and Teletalk) and, particularly, massive foreign direct investment (FDI) by telecom giants like Telenor, Telekom Malaysia (TM), Orascom, SingTel, and by UAE-based Warid Telecom.

There are six telephone operators in Bangladesh at the moment. Among them one is Government owned telephone operator: Teletalk Bangladesh Limited and the other five are privately owned companies namely Grameenphone Limited, Axiata (Bangladesh) Limited,
Warid Telecom International L.L.C., Oreascom Telecom Bangladesh Limited and Pacific Bangladesh Telecom Limited (PBTL).

2.2.1 FOREIGN DIRECT INVESTMENT (FDI) IN TELECOM SECTOR:

The huge size of the Bangladeshi population and scarcity of communication have placed Bangladesh as one of the most prolific country for investment in the communication sectors. In many global studies, Bangladesh recently enjoys the status of the fastest growing country and one of the top ten communication investment destinations. Leveraging the above advantages, five mobile operators have drawn significant foreign investment. From the year 1997 to 2008 Taka 229.56 billion has been invested by the mobile operators.

![Investment (1997-2008)](image)

**Figure 2: FDI by the Mobile operators**

2.2.2 CONTRIBUTION TO THE GOVERNMENT:

The telecommunication industry has contributed huge amount of money for the government of Bangladesh. In a study, conducted by Bangladesh Telecommunication Regulatory Commission (BTRC) it has been found that, an increase of 10 mobile phones per 100 people boosts GDP growth by 0.6%. A 1% increase in the number of Internet users increase total exports by 4.3%. Telecom sector contributed approximately 1.46% of national GDP and its significant proportion is contributed by mobile telecommunication sector.
2.2.3 GROWTH OF MOBILE PHONE SUBSCRIBERS IN BANGLADESH:

Mobile Phone Subscribers in Bangladesh
The total number of Mobile Phone Subscribers has reached 34.37 million at the end of December 2007.

Table 3: Analysis of the Mobile Phone subscribers

<table>
<thead>
<tr>
<th>Operators</th>
<th>Active Subscribers (subscribers in Millions)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December, 2007</td>
<td>December, 2008</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Grameenphone Ltd. (GP)</td>
<td>16.48</td>
<td>20.99</td>
</tr>
<tr>
<td>Axiata (Bangladesh) Limited</td>
<td>6.40</td>
<td>8.20</td>
</tr>
<tr>
<td>Orascom Telecom Bangladesh Limited (Banglalink)</td>
<td>7.08</td>
<td>10.33</td>
</tr>
<tr>
<td>PBTL (Citycell)</td>
<td>1.41</td>
<td>1.81</td>
</tr>
<tr>
<td>Teletalk Bangladesh Ltd. (Teletalk)</td>
<td>0.85</td>
<td>0.98</td>
</tr>
<tr>
<td>Warid Telecom International L.L.C (Warid)</td>
<td>2.15</td>
<td>2.33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34.37</strong></td>
<td><strong>44.64</strong></td>
</tr>
</tbody>
</table>

Source: BTRC Annual Report 2007-08
From the table we can see that the total number of Mobile Phone Active Subscribers has reached **44.64 million** at the end of December 2008. The total number of Mobile Phone Active Subscribers has reached **52.43 million** at the end of December 2009.

And the total number of Mobile Phone Active Subscribers has reached **65.565 million** at the end of October 2010. The constant annual growth rate of the mobile phone subscriber is 24.0%. The number of mobile phone subscribers is increasing at very high positive rate. This is very good for the telecommunication industry.

The subscriber growth rate for the mobile service operators is very high. Orascom Telecom Bangladesh Limited (Banglalink) has the highest subscriber growth rate, which is 37.5%, Robi Axiata (Bangladesh) Limited has a growth rate of 22.8% and then Grameenphone Limited is in the third position with a growth rate of 22.4%.

![Active Subscribers in October, 2010](image-url)

**Figure 4: Active mobile phone subscribers as of October, 2010**

Grameenphone has the highest number of subscribers (28.487 million) up to October, 2010. The operator which has the second highest subscriber base is Banglalink and Teletalk has the lowest number of subscriber which is 1.224 million.

Now the discussion will be made on more border view of the market growth. Information of last three years will be considered to find out the total growth rate of the market in these three years. The following figure shows the growth rate of the market in last three years –
By assuming the May, 2007 as the base year, it is seen that the market has grown almost 57.69% from May, 2008 to May, 2008, but the market growth fall drastically from May, 2008 to May, 2009 at 10.39% because of imposing a huge tax on SIM. But somehow in the last one year the companies’ give some subsides to make the SIM available at lower price again doubled the market growth.

2.2.4 MARKET SHARE ANALYSIS OF THE INDUSTRY:

In starting of the analysis of the companies in the telecommunication sector in Bangladesh, first I would like to analysis the current scenario of the market. The current market share of the various mobile phone operators are displayed in the following figure, based on the information provided by the “Bangladesh Telecommunication Regulatory Commission (BTRC)” website –

Table 4: Total Market share of the mobile phone operators (As of October 2010)

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grameenphone Ltd. (GP)</td>
<td>Grameenphone</td>
<td>43.45</td>
</tr>
<tr>
<td>Robi Axiata Limited</td>
<td>Robi</td>
<td>18.07</td>
</tr>
<tr>
<td>Orascom Telecom Bangladesh Limited (Banglalink)</td>
<td>Banglalink</td>
<td>28.08</td>
</tr>
<tr>
<td>PBTL (Citycell)</td>
<td>Citycell</td>
<td>2.95</td>
</tr>
<tr>
<td>Teletalk Banglades Ltd. (Teletalk)</td>
<td>Teletalk</td>
<td>1.87</td>
</tr>
<tr>
<td>Warid Telecom International L.L.C (Warid)</td>
<td>Warid</td>
<td>5.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: BTRC 2010, Telecommunication Indicators in Bangladesh
Figure 6: Distribution of the Market share of the mobile phone operators

On the above mentioned figure, we found that the total market of the mobile phone is with 65.56 million subscriber where Grameenphone still dominated the market with 43.45% market share which is far higher than its' follower Banglalink, with 28.08%, and Robi, with 18.07%. The rest of the operator are not in competition with these three operators and hold much low market share compared to them.

But the market share of these companies only 2010 is not sufficient enough to judge these companies. In order to judge the true performance of the organization we should go for analyzing the market share trends of these operators. To best judge the performance of the companies in terms of market share, I choose the data of previous 35 months data on the market share of these companies. The data are presented in the graph –
Figure 7: 35 Months Performance of the mobile service operators based on Market Share
If we analyze the 35 months subscriber’s data for understanding the market share performance of the 6 mobile service operators, the performing operator is the Orascom Telecom Bangladesh Limited with the brand “Banglalink”. If we look at the figure 5, we see that, their market share is constantly increasing from October 2009 to October 2010. Grameenphone Limited is also performing well in their business as they are able to maintain a constant growth rate over the time period. The Axiata (Bangladesh) Limited with the brand “Robi” is also quite successful in obtaining the market share, but there has been some ups and downs in their performance.

2.3 A BRIEF INTRODUCTION OF THE MOBILE OPERATORS:

At present in Bangladesh there are six mobile service operators which provide mobile telecommunication services to the mass people of Bangladesh. Among them one is Government owned telephone operator: Teletalk Bangladesh Limited and the other five are privately owned companies namely Grameenphone Limited, Axiata (Bangladesh) Limited, Warid Telecom International L.L.C., Oreascom Telecom Bangladesh Limited and Pacific Bangladesh Telecom Limited (PBTL).

2.3.1 AXIATA (BANGLADESH) LIMITED:

Robi Axiata Limited is a dynamic and leading countrywide GSM communication solution provider. It is a joint venture company between Axiata Group Berhad, Malaysia and NTT DOCOMO INC, Japan. Robi Axiata Limited, formerly known as Telekom Malaysia International (Bangladesh), commenced its operation in 1997 under the brand name Aktel among the pioneer GSM mobile telecommunications service providers in Bangladesh, the same year when Grameenphone inaugurated its business. The company uses GSM network technology and its brand name was Aktel. At present Axiata Limited have around 235 employees and 11.485 million subscribers. In respect to subscriber base Robi holds the 3rd position in the cell-phone industry. On 28th March, 2010 the company started its new journey with the brand name Robi.

To ensure leading-edge technology, Robi has the international expertise of Axiata and NTT DOCOMO INC. It supports 2G voice, CAMEL Phase II & III and GPRS/EDGE service with high speed internet connectivity. Its GSM service is based on a robust network architecture and cutting edge technology such as Intelligent Network (IN), which provides peace-of-mind solutions in terms of voice clarity, extensive nationwide network coverage and multiple global partners for international roaming. It has the widest International Roaming coverage in
Bangladesh connecting 550 operators across 205 countries. Its customer centric solution includes value added services (VAS), quality customer care, easy access call centers, digital network security and flexible tariff rates.

With its strengths and competencies developed over the years, Robi aims to provide the best quality service experience in terms of coverage and connectivity to its customers all over Bangladesh. Together with its unique ability to develop local insights, Robi creates distinct services with local flavor to remain close to the hearts of its customers.

Shareholding:
Robi Axiata Limited is a Joint Venture company between Axiata Group Berhad (70%) and NTT DOCOMO INC. (30%).

Axiata Group Berhad:
Axiata is an emerging leader in Asian telecommunications with significant presence in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia. In addition, the Malaysian grown holding company has strategic mobile and non-mobile telecommunications operations and investments in India, Singapore, Iran, Pakistan and Thailand. Axiata Group Berhad, including its subsidiaries and associates, has approximately 50 million mobile subscribers in Asia, and is listed on Malaysia’s stock exchange (Bursa Malaysia).

NTT DOCOMO INC:
NTT DOCOMO INC is the world's leading mobile communications company and the largest mobile communications company in Japan. DOCOMO serves over 53 million customers, including 44 million people subscribing to FOMA™, launched as the world's first 3G mobile service based on W-CDMA in 2001. DOCOMO also offers a wide variety of leading-edge mobile multimedia services, including i-mode™, the world's most popular mobile e-mail/Internet service, used by 48 million people. With the addition of credit-card and other e-wallet functions, DOCOMO mobile phones have become highly versatile tools for daily life. With cutting edge technology and innovative services, DOCOMO is fast becoming a preferred lifestyle choice, continuously expanding its role in its users’ lives, growing globally throughout Asia, Europe and North America. NTT DOCOMO INC is listed on the Tokyo (9437), London (NDCM) and New York (DCM) stock exchanges.

2.3.2 WARID TELECOM:

In January 2010, Bharti Airtel Limited, Asia’s leading integrated telecom services provider, acquired 70% stake in Warid Telecom, Bangladesh, a subsidiary of the UAE-based Abu Dhabi Group.
Bharti Airtel is making a fresh investment of USD 300 million to rapidly expand the operations of Warid Telecom and have management and board control of the company. This is the largest investment in Bangladesh by an Indian company. Dhabi Group continues as a strategic partner retaining 30% shareholding and has its nominees on the Board of the Company.

The new funding is being utilized for expansion of the network, both for coverage and capacity, and introduction of innovative products and services. As a result of this additional investment, the overall investment in the company will be in the region of USD 1 billion.

This is Bharti Airtel’s second operation outside of India. The company launched its mobile services in Sri Lanka in January 2009 on a state-of-the-art 3.5G network. The company crossed the 1 million customers mark within six months of launch on the back of innovative offerings as well as rapid expansion of network coverage and distribution.

2.3.3 PACIFIC BANGLADESH TELECOM LIMITED (PBTL):

Citycell (Pacific Bangladesh Telecom Limited) is Bangladesh’s and South Asia’s pioneering mobile communications company and the only CDMA mobile operator in the country. Citycell is a customer-driven organization whose mission is to deliver the latest in advanced telecommunication services to Bangladesh.

The company offers a full array of mobile services for consumers and businesses that are focused on the unique needs of the Bangladeshi community. Citycell’s growth strategy is to integrate superior customer service, highest standards of technology and a choice of packages at affordable rates.

The company operates a 24-hour call centre with well trained operators to respond to customer queries. Citycell’s customer service is open 7 days a week to ensure customers can access Citycell at any convenient time.

Ownership structure:
Citycell (Pacific Bangladesh Telecom Limited) has been converted into a Public Limited Company with effect from 28 March, 2008 in compliance with the notification number SEC/CMRRCD/2006-1591/Admin-03/23 of Securities and Exchange Commission (SEC) of Bangladesh.
Below is the list of the shareholders of the company:

- Pacific Motors Limited
- Pacific Traders Limited
- Pacific Industries Limited
- Far East Telecom Limited
- SingTel Asia Pacific Investments Pte Ltd
- SingTel Consultancy Pte Ltd
- Singapore Telecom Paging Pte Ltd

2.3.4 TELETALK BANGLADESH LIMITED:

Teletalk Bangladesh Limited is a public limited company, registered under the Registrar of the Joint stock companies of Bangladesh. The total shares of the owned by the Government of the Peoples Republic of Bangladesh.

Though this company is a small player in the overall telecommunication industry of Bangladesh with a market share of only 1.87% (2010), Teletalk continue to grow and engage the customers through their clear commitment to offering high quality products and services as well as leading customer retention and loyalty programmers. Teletalk continues to be a part of the revolution that’s connecting millions of Bangladeshi people and around the world.

Teletalk Bangladesh limited was established keeping a specific role in mind. Teletalk has forged ahead and strengthened its path over the years and achieved some feats truly to be proud of, as the only Bangladeshi mobile operator and the only operator with 100% native technical and engineering human resource base, Teletalk thrives to become the true people’s phone – “Amader Phone”.

Incorporation of Teletalk:
Teletalk Bangladesh Limited was incorporated on 26 December, 2004 as a public limited company under the Companies Act, 1994 with an authorized capital of Tk.20,000,000,000 being the only government sponsored mobile telephone company in the country. On the same day the company obtained Certificate of Commencement of Business from Bangladesh Telecom Regulatory Commission (BTRC).
2.3.5 GRAMEENPHONE LIMITED:

Grameenphone widely known as GP is the leading telecommunications service provider in Bangladesh. With more than 28 million subscribers (as of October 2010), Grameenphone is the largest cellular operator in the country. It is a joint venture enterprise between Telenor and Grameen Telecom Corporation, a non-profit sister concern of the internationally acclaimed microfinance organization and community development bank Grameen Bank. Telenor, the largest telecommunications company in Norway, owns 55.8% shares of Grameenphone; Grameen Telecom owns 34.2% and the remaining 10% is publicly held.

2.3.6 ORASCOM TELECOM BANGLADESH LIMITED:

Orascom Telecom Bangladesh Limited (Banglalink) is a 100% owned subsidiary of Orascom Telecom Holding S.A.E., Egypt, in Bangladesh. It was acquired by Orascom Telecom Holding in 2004, and after a complete overhaul and the deployment of a new GSM network, its telecommunication services were re-launched under the brand name “Banglalink”. When Banglalink began operations in Bangladesh in February 2005, its impact was felt immediately: overnight mobile telephony became an affordable option for customers across a wide range of market segments.

Banglalink’s success was based on a simple mission: "bringing mobile telephony to the masses" which was the cornerstone of its strategy. Banglalink changed the mobile phone status from luxury to a necessity and brought mobile telephone to the general people of Bangladesh and made a place in their hearts. The mobile phone has become the symbol for the positive change in Bangladesh.

This positive change that is quite correctly attributed to Banglalink has become the corporate positioning of Banglalink and is translated in their slogan "making a difference" or "din bodol". "Making a difference" not only in the telecom industry, but also through its products
and services, to the lives of its customers. This corporate attitude of "making a difference" has been reflected in everything Banglalink does.

Banglalink attained 1 million subscribers by December 2005 and 3 million subscribers in October 2006. In less than two years which is by December 2007, Banglalink overtook Aktel to become the second largest operator in Bangladesh with more than 7.1 million customers. Banglalink currently has 14.22 million subscribers as of March 2010, representing a market share of 26%.

Growth over the last years have been fuelled with innovative products and services targeting different market segments, aggressive improvement of network quality and dedicated customer care, creating an extensive distribution network across the country, and establishing a strong brand that emotionally connected customers with Banglalink.
Chapter 3

COMPANY PROFILE:

GRAMEENPHONE LIMITED
3.1 HISTORY:

Grameenphone is the largest mobile telecommunications operator in Bangladesh by revenue and subscriber base. Grameenphone operates a digital mobile telecommunications network based on the GSM standard in the 900 MHz and 1800 MHz frequency bands, under a license granted by the Bangladesh Telecom Regulatory Commission (BTRC). Grameenphone was offered the cellular license in Bangladesh by the Ministry of Posts and Telecommunications (MOPT) on November 28, 1996 and launched its service on the Independence Day of Bangladesh on March 26, 1997. As per the terms of the "Licensing Agreement" with Ministry of Posts and Telecommunications, (succeeded by Bangladesh Telecom Regulatory Commission), the radio system operating license of Grameenphone will expire on 11 November 2011. The license is, however, subject to renewal upon fulfillment of certain terms and conditions. Management foresees no uncertainty regarding renewal of this license. Grameenphone converted to a public limited company on June 25, 2007. Trading of the company's shares started at Dhaka and Chittagong Stock Exchanges from 16 November, 2009. The shareholding structure comprises of mainly two sponsor Shareholders namely Telenor Mobile Communications AS (55.80%) and Grameen Telecom (34.20%). The rest 10.00% shareholding includes General public & other institutions.

The company has so far invested more than BDT 15,260 crore to build the network infrastructure since its inception in 1997. Grameenphone is one of the largest taxpayers in the country, having contributed more than BDT 16,600 crore in direct and indirect taxes to the Government Exchequer over the years.

Since its inception in March 1997, Grameenphone has built the largest cellular network in the country with over 12,000 base stations in more than 6,000 locations. Presently, Grameenphone network covers 99.14% of Bangladesh’s population and 88.84% of the total land area of the country.

Grameenphone was also the first operator to introduce the pre-paid service in September 1999. It established the first 24-hour Call Center, introduced value-added services such as VMS, SMS, fax and data transmission services, international roaming service, WAP, SMS-based push-pull services, EDGE, personal ring back tone and many other products and services.

The entire Grameenphone network is also EDGE/GPRS enabled, allowing access to high-speed Internet and data services from anywhere within the coverage area. There are currently nearly 3 million EDGE/GPRS users in the Grameenphone network.

Grameenphone nearly doubled its subscriber base during the initial years while the growth was much faster during the later years. It ended the inaugural year with 18,000 customers; 30,000 by the end of 1998; 60,000 in 1999; 193,000 in 2000; 471,000 in 2001; 775,000 in
Grameenphone serves both rural and urban customers across Bangladesh, where mobile telephony is a major driver of socioeconomic development. Bangladesh has one of the lowest teledensity rates and highest subscriber growth rates in the world.

From the very beginning, Grameenphone placed emphasis on providing good after-sales services. In recent years, the focus has been to provide after-sales services within a short distance from where the customers live. There are now more than 600 GP Service Desks across the country covering nearly all upazilas of 61 districts. In addition, there are 78 Grameenphone Centers in all the divisional cities and they remain open from 8am-7pm every day including all holidays. GP has generated direct and indirect employment for a large number of people over the years. The company presently has more than 4500 full and temporary employees. Another 150,000 people are directly dependent on Grameenphone for their livelihood, working for the Grameenphone dealers, retailers, scratch card outlets, suppliers, vendors, contractors and others.

Grameenphone has been a market leader in introducing new products and services in Bangladesh. The company was one of the first mobile phone operators to launch GSM service in the country. Grameenphone was also one of the first operators in Bangladesh to offer the subscribers mobile to mobile service, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. In January 2008, Grameenphone became the first mobile operator in Bangladesh to offer BlackBerry™ services.

In addition, the Village Phone Program, also started in 1997, provides a good income-earning opportunity to more than 210,000 mostly women Village Phone operators living in rural areas. The Village Phone Program is a unique initiative to provide universal access to telecommunications service in remote, rural areas. Administered by Grameen Telecom Corporation, it enables rural people who normally cannot afford to own a telephone to avail the service while providing the VP operators an opportunity to earn a living.

The Village Phone initiative was given the "GSM in the Community" award at the global GSM Congress held in Cannes, France in February 2000. Grameenphone was also adjudged the Best Joint Venture Enterprise of the Year at the Bangladesh Business Awards in 2002. Grameenphone was presented with the GSM Association's Global Mobile Award for 'Best use of Mobile for Social and Economic Development' at the 3GSM World Congress held in Singapore, in October 2006, for its Community Information Center (CIC) project, and for its HealthLine Service project at the 3GSM World Congress held in Barcelona, Spain, in February 2007.

Grameenphone considers its employees to be one of its most important assets. GP has an extensive employee benefit scheme in place including Gratuity, Provident Fund, Group
Insurance, Family Health Insurance, Transportation Facility, Day Care Centre, Children's Education Support, and Higher Education Support for employees, in-house medical support and other initiatives.

3.1.1 VISION OF GRAMEENPHONE:

Grameenphone's vision is simple:

"We are here to help"
We exist to help our customers get the full benefit of communications services in their daily lives. We want to make it easy for customers to get what they want, when they want it.

Grameenphone's renewed Vision recognizes that we exist to help our customers get the full benefit of communications services in their daily lives. The key to achieving this is that we work together and draw on our renewed Values and build them into guiding light behaviors in our workplace, wherever that may be... Make it easy. Keep promises. Be inspiring. Be respectful.

3.1.2 VALUE STATEMENTS OF GRAMEENPHONE:

Make it Easy-
We're practical. We don't over complicate things. Everything we produce should be easy to understand and use. No waste. No jargon. Because we never forget we're trying to make customers' lives easier.

Keep Promises-
Everything we set out to do should work, or if you don't get it, we're here to help. We're about delivery, not over promising - actions not words.

Be inspiring-
We are creative. We strive to bring energy into the things we do. Everything we produce should look good, modern and fresh. We are passionate about our business and customers.

Be respectful-
We acknowledge and respect local cultures. We do not impose one formula worldwide. We want to be a part of local communities wherever we operate. We believe loyalty has to be earned.

3.1.3 GRAMEENPHONE'S COMPETITIVE STRENGTH:

As of December 31, 2008, Grameenphone is the largest mobile operator in Bangladesh by subscribers' base, with 21.0 million subscribers and a subscriber market share of 47.0%. The company believes that their leading position has helped them develop strong brand
recognition and a high profile among existing and potential subscribers. In addition, Grameenphone’s critical mass has allowed it to realize significant benefits from economies of scale in many aspects of our operations, such as equipment procurement, sales and marketing, billing and customer service. Grameenphone also believe that being one of the original GSM mobile cellular licenses in Bangladesh allowed it to access to early subscribers for mobile telecommunications, whom they believe tend to be more affluent and have greater resources to spend on telecommunications.

**Shareholders with strong operational capabilities:**

Grameenphone derived significant benefits from its shareholders’ commitment to their business, including Telenor’s experience in deploying mobile networks and business operations across multiple emerging markets. They have also benefited from Telenor’s existing relationship with financing sources, industry vendors and suppliers. Grameen Telecom understands of the Bangladesh market, its leadership in developing the Village Phone Program and its contribution of the “Grameen” brand has also supported Grameenphone’s business growth over the years.

**Well recognized brand name and reputation:**

GP has established as one of the most visible and respected brands in Bangladesh. The company has received a number of awards, including the GSMA Award for the “Best Use of Mobile for Social and Economic Development” at the 3GSM World Congress in February 2007 for its HealthLine service, as well as the “GSM in the community” award for Village Phone program at the GSM World Congress held in Cannes, France in February 2000. In August 2008, for the first Bangladesh Best Brand Awards, Grameenphone received the best brand award in the “Telecom Service Provider Brand” category and were third in the overall “Best Brand” category. Moreover the wider “Grameen” brand has gained both domestic and international awareness through the microcredit work of Grameen Bank and Noble Laureate Professor Muhammad Yunus. GP also gained brand awareness through their sponsorship of the Bangladesh National Cricket Team and Bangladesh National Women’s Cricket Team. In addition to the “Grameenphone” brand, they successfully launched the youth brand “djuice.”

**Strong distribution channels and customer service:**

Grameenphone has a strong nationwide distribution network with approximately 110,000 points-of-presence (including approximately 14,000 retail outlets) throughout Bangladesh’s 64 districts where the subscribers can purchase the services. GP has established more than 82 branded retail stores, known as Grameenphone Centers, which offer a range of mobile telecommunications service, SIM cards, top-up cards, mobile handsets and accessories as well as customer service. GP also operate a 24-hour call center to provide customer support.
Leadership in product development and non-voice services:

GP has consistently sought to develop and market innovative products and services to meet their subscribers’ needs, and they believe their innovation allows them to attract and retain subscribers. GP was one of the first companies in Bangladesh to offer their subscribers mobile to mobile services, GSM, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. In addition, in January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services. GP’s network is EDGE/GPRS enabled, allowing their customers to gain access to high-speed Internet and data services from anywhere within their coverage area. During the three months ended December 31, 2008, approximately 1.2 million of GP subscriber browsed the internet via their handsets, making GP one of the largest providers of Internet access in the country.

Experienced management team:

A highly experienced management team leads the development of Grameenphone business, products and services. GP management team includes senior executives who have working in Bangladesh since the commercialization of GSM mobile telecommunications services in Bangladesh in 1997. In addition, members of GP management team and its Board of Directors have operational experience in other emerging and developed telecommunications markets, including as managers within Telenor and its subsidiaries (the Telenor group).

3.2 OBJECTIVES OF THE COMPANY:

Grameenphone has a dual purpose to receive an economic return on its investments and to contribute to the economic development of Bangladesh where telecommunications can play a critical role. This is why Grameenphone, in collaboration with Grameen Bank and Grameen Telecom, is aiming to place one phone in each village to contribute significantly to the economic benefit of the poor.

The strategies

Grameenphone’s strategy is coverage of both urban and rural areas. In contrast to the “island” strategy followed by some companies, which involves connecting isolated islands of urban coverage through transmission links, Grameenphone builds continuous coverage, cell after cell. While the intensity of coverage may vary from area to area depending on market conditions, the basic strategy of cell-to-cell coverage is applied throughout Grameenphone’s network.

The people

The people who are making it happen—the employees are young, dedicated and energetic. All of them are well educated at home or abroad, with both sexes (gender) and minority groups in Bangladesh being well represented. They know win their in hearts that Grameenphone is more than phones. This sense of purpose gives them the dedication and the drive, production-in about eight years-the biggest coverage and
subscriber-base in the country. Grameenphone knows that the talents and energy of its employees are critical to its operation and treats them accordingly.

The technology
Grameenphone’s Global System for Mobile Telecommunication or GSM technology is the most widely accepted digital system in the world, currently used by over 900 million people in 150 countries. GSM brings the most advanced development in cellular technology at a reasonable cost by spurring severe competition among manufactures and driving down the cost of equipment. Thus consumers get the best for the least.

The service
Grameenphone’s believes in service, a service that leads to good business and good development. Telephony helps people work together, raising their productivity. This gain in productivity is development, which in turn enables them to afford a telephone service, generating a good business. Thus development and business go together.

Strategic objectives of The Company
Grameenphone wants to maintain the lead and to overtake the competitors in the country and this is what Grameenphone has been dedicated to seeking. It wants to provide all its employees with challenging and rewarding work, satisfying working conditions, and opportunities for personal development, advancement, and competitive compensation.

In brief:
It wants to capture bigger market share.
It wants to achieve low operating costs.
It wants to offer broader and more attractive products for the customers.
It wants to enhance the satisfaction of its consumers by providing quality and superior service.

Financial objectives of The Company
Grameenphone Limited wants to earn growth in revenues and earnings.
It wants to earn wider profit margin.
It wants to realize higher return on invested capital.

3.3 STRATEGIES OF GRAMEENPHONE:

Continue to grow its subscriber base
GP believes it can continue to grow its subscriber base, while seeking to limit declines in Average Price per Minute (APPM), by increasing the availability of its products and services throughout Bangladesh and by aiming to improve customer retention. GP believes that new
subscribers will be attracted by its network coverage and its broad offering of services, as well as its service quality and the strength of the brand. In the near term, market conditions have led GP to increase the prices of its starter packs and, as a result, GP will be focused on higher value customers. In the longer term, GP expects to increase its penetration of the growing consumer, rural and financially constrained market sectors. GP experienced growth in the consumer, rural and financially constrained market sectors during the year ended December 31, 2008.

**Focus on high value customer**

GP strives to provide superior network coverage, connectivity, quality and reliability, as well as to continue its product and service innovation through continued investment in its network and products. GP believes that being an incumbent mobile operator has allowed GP to attract early subscribers, whom it believes tend to be more affluent and have greater resources to spend on telecommunications. GP intend to continue focusing on this high value customer segment, which GP expects will grow as the Bangladesh population becomes more affluent, with its value added services, in particular Internet access and BlackBerry™. GP also intends to increase its focus on the high value business segment customers, given the high usage of its voice and non-voice services by these customers.

**Achieve capital and operational efficiencies to improve profit margins and cash flow generation**

GP plans to continue exercise strong discipline over its operating costs and capital expenditures to achieve improved efficiency and productivity in its operation and leverage its existing capacity. Historically the majority of GP’s capital expenditures were undertaken to support the geographic expansion of its network to achieve targeted population coverage of more than 95.0% of Bangladesh. Having achieved that target in 2007, GP is now focusing its ongoing capital expenditures on expansion of its overall capacity to accommodate increases in subscribers and traffic. In 2008, GP moved from a single vendor framework to a dual vendor framework as it entered into a long-term purchase and maintenance agreement for the purchase and maintenance for network and radio access equipment with Huawei Technologies Co. Ltd., and it plans to renew its framework agreement for the purchase and maintenance of GSM equipment with Ericsson AB. GP believes that the use of multiple principal suppliers will provide pricing advantages for GP’s future capital expenditure. GP has built its own fiber optic network to provide greater redundancy in its network services. GP also plans to reduce its operation and maintenance expenses by, among other things, using solar power, controlling service agreement pricing and lobbying to reduce the SIM tax.

**Increase brand awareness and reinforce our brand values**

GP intends to support its brands by undertaking brand refreshment exercises from time to time. In April 2008, GP launched the “Stay Close” campaign, which helps GP to reinforce its branding by emphasizing the importance of staying close to friends and family. GP believes the campaign has been successful in increasing brand awareness. For its consumer segment,
GP has positioned itself as being its customers' lifestyle partner, giving them access to services which enhance their lives. For its business segment, it has positioned itself as being the customers' partner in business, providing efficient and relevant services. For the youth segment, GP has the “djuice” brand, which it supports by focusing on text messaging, music, and community service.

**Increase revenue from non-voice services**

GP’s revenues from non-voice services as a percentage of Average Revenue per User (ARPU) were 4.2% for the year ended December 31, 2008, which proportion remains low relative to operators in comparable markets in Asia and hence providers scope for non-voice revenue growth. GP offers a wide range of non-voice services, including SMS, MMS, games, information services, content download, ring back tones, internet access and BlackBerry™ services. GP plans to continue increase its revenue from non-voice services by actively promoting these services, developing additional services and further expanding its presence as one of the largest providers of Internet access in Bangladesh.

**Continue to expand its comprehensive distribution work**

GP has adopted its distribution model to the changing telecommunications market in Bangladesh. In the first half of 2008, GP implemented a new distribution model. Prior to 2008, GP relied on pull model, whereby its dealers contacted GP with product orders. GP’s new distribution model is to push sales to retailers by distributing its SIM cards, electronic recharge system (ERS) and scratch cards through a network of nearly 100 third-party distributors. These distributors distribute GP's products to retailers, who then sell the products to the public. GP has targeted to have approximately 20,000 retailers in its distribution network selling new connections and 110,000 retailers for reload. GP’s objectives under the new distribution model are to improve its product availability throughout the country with the establishment of more points of sale, improve inventory management, accelerate distribution of its products, provide better support to its customer base, create a strong channel of communication between, GP and its subscribers and obtain better market data to allow GP to be more dynamic and responsive to the market.

**3.4 ACHIEVEMENTS:**

By bringing electronic connectivity to rural Bangladesh Grameenphone is bringing the digital revolution to the doorsteps of the poor and unconnected. By being able to connect to urban areas or even to foreign countries, a completely New World of opportunities is opening up for the people in Bangladesh. Grameenphone Limited completed its thirteenth year of operation and crossed the 28 million-subscribers mark in early 2010.

It is a remarkable achievement indeed. The GP launched its product on March 26, 1997. In July 2001, Grameenphone was identified by EMC, the London-based mobile phone market research firm, as the fastest growing and single-largest mobile phone company in the South
Asian region. The mobile phone sector of the country has also matured during this period. In fact, mobile phone users now outnumber the fixed-line telephone subscribers in the country.

The Village Phone Program is another innovative GP initiative launched in collaboration with Grameen Telecom, a shareholder of the company. Introduced in 1997, this unique service provides telecommunication services in remote rural areas where no such facilities existed before. Moreover, it also provides an income generating opportunity for the Phone operators, mostly rural poor women. The village Phone Program won the GSM in the Community Award given at the GSM World Congress held in Cannes, France in February 2000.

GP has established as one of the most visible and respected brands in Bangladesh. The company has received a number of awards, including the GSMA Award for the “Best Use of Mobile for Social and Economic Development” at the 3GSM World Congress in February 2007 for its HealthLine service. In August 2008, for the first Bangladesh Best Brand Awards, Grameenphone received the best brand award in the “Telecom Service Provider Brand” category and were third in the overall “Best Brand” category. Moreover the wider “Grameen” brand has gained both domestic and international awareness through the microcredit work of Grameen Bank and Noble Laureate Professor Muhammad Yunus. GP also gained brand awareness through their sponsorship of the Bangladesh National Cricket Team and Bangladesh National Women’s Cricket Team. In addition to the “Grameenphone” brand, they successfully launched the youth brand “djuice.”

**Grameenphone at a Glance:**

- Grameenphone is the largest telecommunications service providers of Bangladesh
- Market share in terms of subscribers: 43.45%
- Workforce: more than 4,800 employees (March 2010)
- Total number of subscribers: 28.48 million (October 2010)
- BDT 35.81 billion revenues for the first half of 2010 which is 12% higher than the first half of 2009
- Listed at Dhaka Stock Exchange and Chittagong Stock Exchange
- Rated AAA for long term loan and ST-1 for short term loan
- The largest Corporate Tax payer in Bangladesh
- Grameenphone has a fully owned subsidiary named Grameenphone IT Ltd.
- Headquarter in Bashundhara Residential Area, Dhaka, Bangladesh
- Grameenphone offered the largest Initial Public Offering (IPO) in the history of Bangladesh Capital Market
- Grameenphone received the GSM in the Community Award, the Best Joint Venture Enterprise of the Year at the Bangladesh Business Awards, the GSM Association's Global Mobile Award.
3.5 COMPANY STRUCTURE:

Table 5: Major Shareholdings as of 31 December 2009

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>No. of shares</th>
<th>No. of Shareholders</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsors (Foreign)</td>
<td>753,408,369</td>
<td>4</td>
<td>55.80 %</td>
</tr>
<tr>
<td>Sponsors (Local)</td>
<td>461,766,453</td>
<td>3</td>
<td>34.20 %</td>
</tr>
<tr>
<td>Institutions</td>
<td>66,325,021</td>
<td>550</td>
<td>4.91 %</td>
</tr>
<tr>
<td>Public</td>
<td>68,800,179</td>
<td>189,842</td>
<td>5.09 %</td>
</tr>
<tr>
<td>Total shares</td>
<td>1,350,300,022</td>
<td>190,399</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

As of 31 December 2009, the shareholding structure comprises of mainly two sponsor Shareholders namely Telenor Mobile Communications (55.80%) and Grameen Telecom (34.20%). The rest 10.00% shareholding includes General public & other Institutions.

![Figure 8: Major Shareholdings of Grameenphone](image)

3.5.1 Telenor Mobile Communications (TMC)

Telenor Mobile Communications (TMC), a company organized under the laws of the Kingdom of Norway, seeks to develop and invest in telecommunications solutions through direct and indirect ownership of companies and to enter into national and international alliances relating to telecommunications. It is a subsidiary of Telenor Mobile Holdings AS and an affiliate of Telenor. Telenor AS is the leading Telecommunications Company of Norway listed on the Oslo Stock Exchange. It owns 55.80% shares of Grameenphone Ltd. Telenor's strong international expansion in recent years has been based on leading-edge expertise, acquired in the Norwegian and Nordic markets, which are among the most highly developed technology markets in the world. It has substantial International operations in mobile telephony, satellite operations and pay Television services. In addition to Norway and Bangladesh, Telenor owns mobile telephony companies in Sweden, Denmark, Hungary, Russia, Ukraine, Serbia, Montenegro, Thailand, Malaysia, Pakistan and India with more than 174 million mobile subscriptions worldwide as of December 31, 2009. Telenor uses the
expertise it has gained in its home and international markets for the development of emerging markets like Bangladesh.

As part of the conversion of Grameenphone from a private limited to a public limited company, Telenor Mobile Communications AS transferred 10 shares each on May 31, 2007 to its three affiliate organizations namely Nye Telenor Mobile Communications II AS, Norway; Telenor Asia Pte. Ltd. Singapore, and Nye Telenor Mobile Communications III AS, Norway.

3.5.2 Grameen Telecom (GTC)

Grameen Telecom, which owns 34.20% of the shares of Grameenphone, is a not-for-profit company in Bangladesh, working in close collaboration with Grameen Bank, winner of the Nobel Peace Prize for 2006 along with its founder Professor Muhammad Yunus. The internationally reputed bank for the poor has the most extensive rural banking network and expertise in microfinance. It understands the economic needs of the rural population, in particular the women from the poorest households. GTC’s mandate is to provide easy access to GSM cellular services in rural Bangladesh and creating new opportunities for income generation through self-employment by providing villagers, mostly to the poor rural women with access to modern information and communication-based technologies. GTC is also one of the three National distributors of Nokia brand handsets in Bangladesh and also the authorized service provider of Nokia Care network, providing after sales services to the Nokia customers. With the help of Grameen Bank, Grameen Telecom, with its field network, administers the Village Phone Program, through which Grameenphone provides its services to the fast growing rural customers. Grameen Telecom trains the operators, supplies them with handsets and handles all service-related issues. GTC has been acclaimed for the innovative Village Phone Program. GTC & its chairman Nobel peace prize laureate Professor Muhammad Yunus have received several awards which include: First ITU World information Society Award in 2005; Petersburg Prize for Use of the IT to improve Poor People’s Lives” in 2004; GSM Association Award for “GSM in Community Service” in 2000.

As part of the conversion of Grameenphone from a private limited to a public limited company, Grameen Telecom transferred one share each on May 31, 2007 to its two affiliate organizations namely Grameen Kalyan and Grameen Shakti.

3.6 GROWTH OF GRAMEENPHONE SUBSCRIBERS:

This analysis is based on the subscribers’ numbers from December 2007 to October 2010. The growth trend of the number of subscribers of Grameenphone Ltd. is a unique example in the telecommunication field in Bangladesh. The total number of GP subscribers at present is 28.487 million.
Table 6: Growth of GP subscribers

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers (million)</th>
<th>Constant Annual Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2007</td>
<td>16.48</td>
<td></td>
</tr>
<tr>
<td>December 2008</td>
<td>20.99</td>
<td>20.01%</td>
</tr>
<tr>
<td>December 2009</td>
<td>23.26</td>
<td></td>
</tr>
<tr>
<td>October 2010</td>
<td>28.48</td>
<td></td>
</tr>
</tbody>
</table>

Source: BTRC, Telecommunication Indicators of Bangladesh

Figure 9: Growth of Grameenphone subscribers

From the above figure we can see that, the number subscriber is increasing year by year. The Annual Constant Growth Rate of subscribers for Grameenphone is 20.01%, which is a very good sign for the company’s business operation.

3.7 PRODUCTS AND SERVICES OF GRAMEENPHONE:

Telephone sector is a service-oriented sector. Grameenphone offered various types of new and innovative telephone services to both the urban and rural people of Bangladesh during the last six years. The GP-GP or mobile-to-mobile service, the EASY pre-paid service, the village phone program are among its largest innovations. Besides these largest ones Grameenphone also introduced a number of value added services like the news update service, international roaming facility, Voice Mail Service, Text Mail Service, fax and data transmission services, Wireless Application Protocol (WAP) service etc.

The company is the pioneer in most of its services. Handsets or the phone-sets and the SIM-Cards are the only physical products provided by the company. Grameenphone was able to reach telephones in many remote areas of the country and also connect those areas with the far foreign countries.
At present GP offer three (3) types of prepaid packages and a postpaid package. With the regular cell phone services it also offer seven (7) types of internet packages at different prices for its’ prepaid and post paid users. Along with internet and mobile communication GP offers twenty four (24) different types of Value Added Services (VAS) to the customers. GP also offer eight (8) types of roaming facilities. It also diversify its’ business in selling of internet (EDGE) modem and handset of its’ own brand. So in total GP provide 41 different product and services to the consumers.

![Diagram of Grameenphone products and services]

**Figure 10: Products and services of Grameenphone**

### 3.7.1 Village Phone Program:

The village phone program is another innovative GP initiative launched in collaboration with Grameen Telecom, a sister concern of Grameen Bank, which provides micro-credit only to the rural poor. GP utilizes Grameen Bank borrowers to retail telecom services in the rural areas.
areas. Leveraging on Grameen Bank borrowers reduces the distribution costs of Grameenphone’s rural services, contributing to the profitability of this segment.

Introduced in 1997, this unique service provides telecommunication services in remote rural areas where no such facilities existed before. Moreover, it also provides an opportunity for the village phone operators as they can utilize GP mobiles with a subsidized rate (half of the original rate) and can be engaged in a business with mobile phones. In this way GP helps the poor villagers through generating a source of income. The average bill of the village phone subscribers was Tk.5000 as of June 2002. Therefore, village phone is a great help for the village people, especially the poor village women.

From the inception phase, village phone program is facing a continuous growth trend. As of December 2002, there are more than 23000 village phones in operation around the country, spread over 21500 villages in 335 Upazilas of 50 districts. The village phones in operations presently provide access to telecommunication facilities to some 40 million people in remote, rural areas.

The village phone program was given the “GSM in the Community Award” by the GSM Association at the GSM Congress in Cannes, France in February 2000. It also received the Commonwealth Association for Public Administration and Management Bronze Award for community service in 1998. Two research studies have found that the introduction of village phones has made a tremendous social and economic impact in the rural areas among the rural people. One of the studies was jointly conducted by Jahangirnagar University and the Center for Development Research at the University of Bonn in Germany. The other study was conducted by the TeleCommons Development Group (TDG) of Canada for the Canadian International Development Agency.

3.7.2 Community Information Center:

Community Information Center (CIC) or GPCIC is aimed at providing internet access and other communications services to rural areas. In February 2006, 26 CICs were established across the country as a pilot project. In this project, Grameenphone provides GSM/EDGE/GPRS infrastructure and technical support and other partners Grameen Telecom Corporation and Society for Economic and Basic Advancement (SEBA), are involved in selecting and training entrepreneurs to run the village centers. The computers in these centers in the pilot project are used by an average of 30 people a day, who pay a small fee to access email or Web pages. These CICs are used for a wide variety of business and personal purposes, from accessing health and agricultural information to using government services to video conferencing with relatives overseas. Grameenphone also trains the entrepreneurs so that they can give people advice on how to set up an e-mail account and best make use of the Internet.
CIC project is giving up to 20 million people the chance to use the Internet and e-mail for the first time. Following a successful pilot project, Grameenphone is going to set up approximately 560 centers in communities throughout Bangladesh by the end of 2006. The centers will be located in each Upazila (sub-district) of Bangladesh. As a result, up to 15 villages containing up to 40,000 people will be within reach of each CIC. In this information center, there will be personal computers connected to Grameenphone's existing GSM mobile network, which has been upgraded with EDGE technology to offer data transfer speeds of up to 16 kilobytes per second.

3.7.3 Grameenphone Centers:

A Grameenphone center (GPC) serves as a "one stop solution" for customers, with all telecommunications products and services, under a single roof. A Grameenphone center also sells phones from vendors like Nokia, Samsung, Motorola, Sagem and Benq. EDGE/GPRS modems and accessories such chargers and headphones are also sold at GPCs.

As of September, 2007, there are 76 GPCs and they are strategically located at all major locations of the country is operated by Grameenphone. As of today most of the newly opened GPC's are franchised. Most of these franchised outlets are in non-metropolitan areas.

The GPCs also provide the Flexiload service without charging extra for small denominations unlike many retailers in the country. Thus making the GPC's an ideal place for many for such a service.

Every once a while, the GPCs tie up with handset manufactures and start a nationwide marketing scheme by selling the specific vendors products at a price lower than the market's or in bundle with a Grameenphone connection loaded with free minutes.

3.7.4 Additional Services:

Besides the above-mentioned prime services Grameen Phone has a lot of additional services to help its customers in different ways. Some of them are:

News Up-Date Service
A news update service was introduced in 2001 in cooperation with two leading national newspapers of the country. The GP subscribers can now get a two-minute update of the latest news. Another latest addition of GP is the Push-Pull service that provides phone numbers of many important things like taxi, hospitals etc.

International Roaming Facility
The subscribers of GP regular service can use their mobile phones in many foreign countries with the international roaming facility. Grameen Phone has international
roaming agreements with more than 137 mobile phone operators in 51 countries whose subscribers can also use their mobile phones when they are in Bangladesh.

Interactive Voice Response (IVR) System
An automated telephone inquiry service was introduced in 2001. The system is known as INSTA-CARE. It has an Interactive Voice Response (IVR) mechanism to handle calls from the subscribers in a systematic way, reducing the waiting period. It is operative round-the-clock. This service provides information in both Bengali and English concerning different customers’ queries about GP services like monthly bills, coverage area, sales package etc.

The Contributions to Sports
Grameenphone provides services to aid the sports sector and help the sports lovers. It announced the latest scores of the Asian Cricket Cup held in Dhaka and the Cricket World Cup held in South Africa. Having a lot of sport spirit, Grameenphone actively participated for the development of cricket in the country, especially for the youth development program of cricket. Grameenphone sees itself as the “fanatic” of Bangladesh National Cricket Team. Recently GP entered into an agreement to sponsor the Premier Cricket League for the next three years starting this year. Grameenphone is also the sponsor of the Special Olympic Team of Bangladesh.

3.8 CONTRIBUTION TO NATIONAL EXCHEQUER:

The collective contribution to the National Exchequer from inception up to December 2009 was BDT 147.9 billion (BDT 14,790 crore), of which, BDT 30.5 billion (BDT 3,050 crore) was made in 2009 alone. Out of total BDT 147.9 billion (BDT 14,790 crore), BDT 122.2 billion (BDT 12,220 crore) was made on account of direct tax, VAT and duties through National Board of Revenue (NBR) and Bangladesh Telecommunication Regulatory Commission (BTRC), BDT 20.1 billion (BDT 2,015 crore) through commercial agreements with Bangladesh Railway (BR) and Bangladesh Telecommunications Company Limited (BTCL) and BDT 5.5 billion (BDT 550 crore) as indirect payments on account of local and foreign staff income taxes and withholding taxes on operating expenditure payments. Grameenphone has been the largest corporate taxpayer in the country for the last four years.

Grameenphone has also generated direct and indirect employment for a large number of people over the years. The company presently has about 4,800 employees while 150,000 people are directly dependent on Grameenphone for their livelihood, working for the dealers, retailers, electronic reload and scratch card retail outlets, suppliers, vendors, contractors and other business partners.

With the payment of taxes and the investment in the network, Grameenphone is making a significant contribution to the country’s development and growth.
Table 7: Contribution to National Exchequer

<table>
<thead>
<tr>
<th>Year</th>
<th>BTCL/BR</th>
<th>BTRC</th>
<th>NBR</th>
<th>Total Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1997</td>
<td>1</td>
<td>3</td>
<td>30</td>
<td>47</td>
</tr>
<tr>
<td>1998</td>
<td>13</td>
<td>3</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>1999</td>
<td>18</td>
<td>7</td>
<td>27</td>
<td>59</td>
</tr>
<tr>
<td>2000</td>
<td>23</td>
<td>21</td>
<td>39</td>
<td>113</td>
</tr>
<tr>
<td>2001</td>
<td>50</td>
<td>57</td>
<td>103</td>
<td>207</td>
</tr>
<tr>
<td>2002</td>
<td>123</td>
<td>71</td>
<td>200</td>
<td>402</td>
</tr>
<tr>
<td>2003</td>
<td>147</td>
<td>65</td>
<td>357</td>
<td>583</td>
</tr>
<tr>
<td>2004</td>
<td>147</td>
<td>117</td>
<td>535</td>
<td>825</td>
</tr>
<tr>
<td>2005</td>
<td>256</td>
<td>124</td>
<td>872</td>
<td>1296</td>
</tr>
<tr>
<td>2006</td>
<td>278</td>
<td>252</td>
<td>1213</td>
<td>1818</td>
</tr>
<tr>
<td>2007</td>
<td>403</td>
<td>477</td>
<td>1851</td>
<td>2844</td>
</tr>
<tr>
<td>2008</td>
<td>335</td>
<td>879</td>
<td>2174</td>
<td>3507</td>
</tr>
<tr>
<td>2009</td>
<td>140</td>
<td>717</td>
<td>2014</td>
<td>3051</td>
</tr>
</tbody>
</table>

Source: BTRC Annual Report 2007-08

Figure 11: Contribution to National Exchequer

3.9 SWOT ANALYSIS OF THE COMPANY:

Strengths and weaknesses are the micro environmental factors influencing a business which are within the organization. Opportunities and threats are the macro environmental factors that influence all the firms in the industry. They are present in the whole industry. The following figure shows the strengths and opportunities that Grameenphone Ltd. enjoys as well as the weaknesses and threats that the company faces.

This simple analysis helps to find out the major four factors, which are opportunities, threats, strengths and weaknesses of the organization.
Strength

- Largest Geographical Coverage
- Availability of Backbone Network (Optical Fiber)
- Sound financial performance
- Distribution Channels
- Skilled human resource
- Low price handsets with quality and variability
- Infrastructure installation (Fiber-Optic cable) all over the country through Bangladesh Railway.
- Renowned and established brand

Opportunities

- Unmet demand
- Possibility of further network expansion
- Increasing interconnection with BTTB
- Favorable Regulatory Authority
- Possibility of innovative products and services

Threats

- Introduction of BTTB mobile phones
- Aggressive marketing by competitors
- Possibility of new entrance using GSM Technology
- Better relationship of competitors with regulatory body

Weakness

- Growing customer dissatisfaction
- Lack of follow-up from customers
- Deviation from original business plan
- Complicated price structure.

Figure 12: SWOT Analysis
3.10 NETWORK COVERAGE OF GRAMEENPHONE:

Grameenphone built its network on a nationwide basis. As of March 2010, Grameenphone’s network covered 99.14% of Bangladesh’s population and 88.84% of the total land area, and the network infrastructure included around 114,000 TRXs in more than 7,200 base stations.

Grameenphone aims to build a full range of service all over the country. The company has targeted to build extensive network all over the country. For better coverage, OP has taken 1600 Km fiber optic cable network leased from Bangladesh Railway. In April 2004, OP had 750 base stations. As of March 2010, it has 12000 base stations in more than 6000 location. Furthermore, considering the subscribers’ need of quality network and extensive coverage, the company is planning to set up another thousand base stations in the following year. Already the company has expanded its network to 61 districts out of 64 districts and almost all upazillas. In 2008, it also expanded its coverage to Chittagong Hill Tracts area. It’s the only company which covers the most of the land areas with its network. As of March 2010, approximately 88.84% of the country’s total land area and 98% of the country’s population is covered by Grameenphone’s network. In over all, Grameenphone offers the most competitive network facility to its subscribers, and continue improving it. Existing coverage areas are divided into six zones according to the divisional boundary. These are

- Dhaka
- Chittagong
- Khulna
- Sylhet
- Rajshahi
- Barisal

As the figure shows (green meaning network coverage), Grameenphone has almost continuous coverage throughout Bangladesh, apart from the hill districts of Chittagong and some patches of Sunderbans.

Figure 13: Network coverage of GP
3.11 GRAMEENPHONE CORPORATE GOVERNANCE:

Corporate Governance is the structured process through which an organization is directed, controlled and held accountable. It clearly defines the rights and responsibility of the Board, Management, Shareholders and other Stakeholders like Government and the society at large. Grameenphone believes in the continued improvement of corporate governance. This in turn has led the Company to commit considerable resources and implement internationally accepted Corporate Standards in its day-to-day operations.

Being a public limited company, the Board of Directors of Grameenphone have a fundamental role to play in meeting all stakeholders' interests. The Board of Directors and the Management Team of Grameenphone are committed to maintaining effective Corporate Governance through a culture of accountability, transparency, well-understood policies and procedures. The Board of Directors and the Management Team also persevere to maintain compliance of all laws of Bangladesh and all internally documented regulations, policies and procedures.

3.11.1 Board of Directors:

The Directors of the Board are appointed by the Shareholders in the Annual General Meeting (AGM) who are accountable to the Shareholders. The Board is responsible for guiding the Company towards the goal set by the Shareholders. The Board also ensures that Grameenphone Policies & Procedures and Codes of Conduct are implemented and maintained; and the Company adheres to generally accepted principles for the governance and effective control of Company activities. In addition to the other legal guidelines, the Grameenphone Board has also adopted “Governance Guidelines for the Board” for ensuring better governance in the work and the administration of the Board. The Board of Directors in Grameenphone is comprised of nine members including the Chairman who is elected from amongst the members. In compliance with the Corporate Governance Guidelines issued by the Securities and Exchange Commission (SEC) and as per the provision of the Articles of Association (AOA) of the Company, the Board of Directors in its 101st Board meeting held on March 19, 2010 appointed an Independent Director to the GP Board. The AOA requires the Board to meet at least four times a year and otherwise when duly called for in writing by a Board member or Shareholder. Dates for Board Meetings in the ensuing year are decided in advance and the notice of each Board Meeting is served in writing.

3.11.2 Board Committee:

Audit committee:

The Grameenphone Audit Committee was established in late 2008 as a sub-committee of the Board and has jurisdiction over Grameenphone and its subsidiaries. The audit committee is comprised of three members of the Board including an independent
Director. The Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit are permanent invitees to the Audit Committee meetings.

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to internal control, financial reporting, risk management, auditing matters and GP’s processes of monitoring compliance with applicable legal & regulatory requirements and the Code of Conduct. The Audit Committee Charter as approved by the Board defines the purpose, authority, composition, meetings, duties and responsibilities of the Audit Committee.

Treasury committee:

This committee consists of three members who are appointed by the GP Board. All significant financial matters which concern the Board are discussed in this committee meeting in detail. Upon endorsement of the Treasury Committee, such issues are forwarded to the Board for their final review and approval.

Human Resources Committee:

This Committee consists of three members who are appointed by the GP Board. The Committee supports the Board in fulfilling its oversight responsibilities with respect to Human Resources policy, including employee performance, motivation, retention, succession matters and Codes of Conduct.

Health, Safety, Security and Environment Committee:

This Committee consists of three members who are appointed by the GP Board. The Committee supports the Board in fulfilling its legal and other obligations with respect to Health, Safety, Security and Environment (HSSE) issues. The Committee also assists the Board in obtaining assurance that appropriate systems are in place to mitigate HSSE risks in relation to the company, employees, vendors etc.
3.11.3 Management Team:

The Management Team is the executive committee of Grameenphone managing the affairs of the Company. The Management Team consists of the CEO and other key leaders across the Company. The CEO is the leader of the team. Management Team endeavors to achieve the strategic goals & mission of the Company set by the Board of Directors. The Management Team meets on a weekly basis to monitor the business performance of the Company.

3.11.4 Control Environment in Grameenphone:

In implementing the right Governance in Grameenphone, the Board and the Management Team ensures the following:

Going Dynamic Management Model:

Going Dynamic is a strategic management model that focuses on relating strategic ambitions with actions and emphasizes on regular monitoring of the Key Performance Indicator (KPIs) with a realistic predictive model. This enables a forward-looking, action oriented approach towards managing the business. The resource allocations are dynamic and are based on the intended actions linked with the strategy. It aims to build a culture of freedom through responsibility and thereby inculcating an entrepreneurial mindset in the organization leading to increased responsiveness to surrounding changes.

As opposed to traditional budgets where targets, resource allocation and forecasts are combined, the “Going Dynamic” concept manages the aforesaid three processes separately. By separating these three processes, the model tries to eliminate the problems and re-focuses on initiatives to minimize the gap between the targets or Key Performance Indicators (KPIs) and forecasts and drive business towards ambitions. The corporate level initiatives are cascaded down at divisional & individual levels and reviewed and monitored continuously against the forecasts, which serves as a radar screen, showing the future outcome of actions undertaken. Targets/KPIs are set on relative terms to reflect the changes in business environment and thus ensuring a performance culture focused on attaining strategic ambitions. Resource allocations are aligned with strategic ambitions through the setting of relative KPIs.

Financial Reporting:

Grameenphone has strong financial reporting procedures in line with the requirements of International Financial Reporting Standard (IFRS), Bangladesh Accounting Standard (BAS) and other local legislations. In Grameenphone financial reports are generated from Enterprise Resource Planning (ERP) system. Apart from the statutory reporting, Grameenphone also maintains regular reporting to its group company Telenor which
consolidates all its subsidiaries' financial information in its consolidated Financial Statements.

Management of Assets:

Grameenphone is continuously investing in telecom network and other related infrastructure in line with the Company Strategy. To maintain accountability and proper utilization of assets, it complies with clearly defined and approved policies starting from procurement, recording, reporting and up to the level of disposal of assets. To ensure proper safeguarding of assets, physical verification of network assets is conducted periodically on test basis and all risks relating to these assets are properly insured both locally and internationally.

Statutory Audit:

Statutory Audit of the Company is governed by the Companies Act, 1994. The Companies Act explicitly provides guidelines for the appointment, scope of work and retirement of auditors. Shareholders appoint auditors and fix their remuneration in the Annual General Meeting. The auditors also carry out interim audit and review the quarterly financials of the Company.

Internal Audit:

Internal Audit supports the Company to achieve its objectives by bringing a systematic, 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 Chief Executive Officer.

Grameenphone Internal Audit is empowered to carry out its activities in Grameenphone and its subsidiaries. Internal Audit activity is governed by the Internal Audit Charter, which is approved by the Board. Grameenphone Internal Audit department discharges its assurance and consulting activities through 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 Grameenphone, while considering pervasive audit needs. Grameenphone Internal Audit also works closely with Telenor Group Internal Audit in sharing knowledge and resources to ensure achievement of internal audit deliverables.

Internal Control:
Grameenphone has established a strong internal control as a part of good Corporate Governance. Board of Directors, Management, and Personnel of the Company ensure sound internal controls to provide reasonable assurance regarding the achievement of Company objectives in the areas of:

- Effectiveness and efficiency of operations
- Reliability of financial reporting and
- Compliance with laws and regulations

Five essential components of Internal Control; Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring are embedded into the Governance culture of Grameenphone Ltd.

Risk Management:

Risk Management at Grameenphone is concerned with earning competitive returns from the Company’s various business activities at acceptable risk level. It supports the Company’s competitiveness by developing a culture, practice and structure that systematically recognize and addresses future opportunities whilst managing adverse effects through recognizing risk and acting appropriately upon it. The Company has well defined risk management policy, procedures and processes to mitigate strategic and enterprise level risks.

Further to address & manage risk, the Company also works on ensuring,
- Implementation & good practice of required policies & procedures
- Controls on different Revenue Assurance & Fraud Management functions

Pursuance of Sarbanes Oxley Act:

Grameenphone has its strong intention to retain solid Financial Accounting & Reporting platform by ensuring effective transactional flows across the Company. To achieve such target a strong set of control points in line with the principles of “Internal Control over Financial Reporting” (ICFR) has been successfully implemented. These controls are fully aligned with globally recognized apparatus, Sarbanes-Oxley Act 2002. Grameenphone has been SOX successful for last four consecutive years 2006, 2007, 2008 and 2009.

Compliance with Rules & Regulations of the Country:

As the leaders of a compliant Company, the Management Team of Grameenphone is accountable not only to its Board or Shareholders but also to various external regulatory bodies. These regulatory bodies maintain a close monitoring process on Grameenphone. In this context, the Company provides complete set of financial statements to the
Securities and Exchange Commission (SEC), Stock Exchanges, National Board of Revenue (NBR), Registrar of Joint Stock Companies & Firms (RJSC), Bangladesh Telecommunication Regulatory Commission (BTRC) and the Board of Investment (BOI). In order to conduct day to day business Grameenphone has been rendering its best effort to comply with the existing applicable laws of the country as well as with the directives/guidelines of various Government Authorities.

**Business Continuity and Crisis Management (BCCM):**

Being the country’s largest communication solution provider Grameenphone feels an immense responsibility for its continuous operation under any circumstances. Grameenphone must embrace the fact that no matter how solid any business is, things may go wrong at any time & research results also support this fact.

**Ethics and Behavior:**

- **Codes of Conduct**
  Grameenphone has adopted a clearly defined Codes of Conduct approved by the Board of Directors for securing good business ethics and conduct in all aspects of the Company’s activities. The Codes of Conduct are properly communicated to all the employees and others acting on behalf, who are strictly required to abide by it.

- **Restrictions on dealings in GP Shares by Insiders**
  The Company has established policy relating to trading in the GP shares by Directors, Employees and other Insiders. The securities laws also impose restrictions on similar sort of transactions. All the Insiders are prohibited from trading in the GP shares, while in possession of unpublished price sensitive information in relation to the Company during prescribed restricted trading period. Directors and Employees are also required to notify their intention to trade in the GP shares prior to execution of the same.

**Investors Relation:**

As the largest public listed corporate house in Bangladesh, Grameenphone always pays great importance to its investors’ community and their information requirements. With the sincere desire to stay close with investors’ community, GP has recently established the Investor Relations Department which will bridge the gap between investors and the Company.

Institutional investors, security analysts and other members of the professional financial community, have the right to know about GP, its developments and future directions on a broad basis. IR as a specialized department will keep in touch with Investors community
on proactive basis and will feed in the pulse of the capital market to the management by maintaining required communication process.

The IR department is being headed by Head of Investor Relations with reporting to the Chief Financial Officer.

**Communications with Shareholders:**

The Company aims to be open and transparent with all stakeholders, including the owners of the Company — the Shareholders. Information is communicated to the Shareholders regularly through a number of forums and publications. These include:

- Annual General Meeting of the Company
- Price Sensitive Disclosure and other disclosures to the SEC, Stock Exchanges and mass shareholders; and
- Company’s website, where the Company announcements, media releases, previous year’s results etc. are posted under the Investors Relation section

The Company has adopted a detailed policy on information disclosure and communication. In compliance with continuous disclosure requirements, the Company’s policy is that Shareholders will be informed in a timely manner of all major developments that impact the business of the Company.

Grameenphone believes in transparency and accountability to society as a whole through establishment of efficient and effective Corporate Governance procedure. It also believes that Corporate Governance is a journey not a destination and it needs to be continuously developed and adapted to meet the changing needs of a modern business.

**3.12 MANAGEMENT TEAM OF GRAMEENPHONE LIMITED**

Grameenphone places a high value on human resource development and the contributions made by its employees. They persevere to maintain a productive and harmonious working environment in the whole organization. GP always continues with its efforts to improve the efficiency of its employees and align them to the right positions with well-defined responsibilities.

Because of the rapid expansion of GP’s networks and enormous growth of its subscriber base, the company has increased its workforce to almost 4000 persons till the beginning of 2003. Grameenphone has successfully hired some key senior managers who were recruited on the basis of their professional expertise and experience. In order to cope up with the dynamic nature of the company’s business, initiatives are always taken to restructure and reorganize the company’s existing set up. It always evolves standardized management
systems and procedures across functional divisions, focusing in particular, on the effective integration and assimilation of all the organizational units.

**GP Organogram & Management**

The internal organizational functions of Grameenphone Ltd. are done by six functional divisions. The divisions are:

- Finance Division
- People and Organization Division
- Commercial Division
- Communication Division
- Technology Division
- Corporate Affairs Division
Chapter 4

FINANCIAL PERFORMANCE ANALYSIS
4.1 ANALYSIS OF FINANCIAL PERFORMANCE OF GRAMEENPHONE:

Financial performance analysis is very important for any organization. This kind of analysis has so many implications in organization. By analyzing the financial conditions, the management of the respective organization can understand the problems of the organization and take necessary measures to resolve the problems. In this analysis I tried to find out the condition of Grameenphone’s profitability, liquidity, market ratios and capital structure.

Performance evaluation can help:

- To find out whether the organization uses its capacity or not.
- To determine the financial condition of the organization.
- To judge the earning capacity of the organization and whether dividends can be paid out of profit or not.
- To identify the organization’s potential for growth. The institutional investors are interested in this respect.
- To identify the solvency of the organization.
- It supplies information to the users in various dimensional decisions making.

The financial analysis is done mainly in two parts. The first part consists of the financial trend analysis of revenue, operating profit, total assets, operating cost, non operating cost and other important measures and the second part consists of the financial ratio analysis of Grameenphone Limited.

4.2 FIVE YEAR FINANCIAL SUMMARY:

For the analysis I have to present the related financial data of Grameenphone. By using these data I analyzed the financial performance of the organization. The following tables show the five year annual results in brief:

**Table 8: Operational results (2005-2009)**

<table>
<thead>
<tr>
<th>Operational Result in million BDT</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>29,473</td>
<td>45,640</td>
<td>54,303</td>
<td>61,359</td>
<td>65,300</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>17,283</td>
<td>26,962</td>
<td>29,946</td>
<td>28,667</td>
<td>32,222</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>12,602</td>
<td>18,195</td>
<td>16,287</td>
<td>15,350</td>
<td>20,518</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>11,761</td>
<td>17,020</td>
<td>13,535</td>
<td>11,579</td>
<td>18,595</td>
</tr>
<tr>
<td><strong>Net profit after tax</strong></td>
<td>6,913</td>
<td>7,484</td>
<td>3,060</td>
<td>2,984</td>
<td>14,968</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009
### Table 9: Financial position (2005-2009)

<table>
<thead>
<tr>
<th>Financial position in million BDT</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up capital</td>
<td>2,430</td>
<td>2,430</td>
<td>2,430</td>
<td>12,152</td>
<td>13,503</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>18,241</td>
<td>24,509</td>
<td>26,111</td>
<td>27,588</td>
<td>50,154</td>
</tr>
<tr>
<td>Total assets</td>
<td>49,537</td>
<td>66,757</td>
<td>88,461</td>
<td>108,194</td>
<td>109,162</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>31,296</td>
<td>42,247</td>
<td>62,350</td>
<td>80,606</td>
<td>59,008</td>
</tr>
<tr>
<td>Current assets</td>
<td>6,974</td>
<td>10,442</td>
<td>6,851</td>
<td>14,430</td>
<td>22,182</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>16,592</td>
<td>23,568</td>
<td>36,445</td>
<td>50,231</td>
<td>38,952</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>42,563</td>
<td>56,314</td>
<td>81,610</td>
<td>93,765</td>
<td>86,981</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>14,704</td>
<td>18,680</td>
<td>25,905</td>
<td>30,375</td>
<td>20,056</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

### Table 10: Financial ratios (2005-2009)

<table>
<thead>
<tr>
<th>Financial ratios</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current asset to current liability</td>
<td>0.42</td>
<td>0.44</td>
<td>0.19</td>
<td>0.29</td>
<td>0.57</td>
</tr>
<tr>
<td>Debt to equity</td>
<td>0.50</td>
<td>0.32</td>
<td>0.63</td>
<td>0.68</td>
<td>0.14</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>47%</td>
<td>49%</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>43%</td>
<td>40%</td>
<td>30%</td>
<td>25%</td>
<td>31%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>23%</td>
<td>16%</td>
<td>6%</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>43.6%</td>
<td>35.0%</td>
<td>12.1%</td>
<td>11.1%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Return on total assets</td>
<td>18.1%</td>
<td>12.9%</td>
<td>3.9%</td>
<td>3.0%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

### Table 11: Ordinary share information (2005-2009)

<table>
<thead>
<tr>
<th>Ordinary share information</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary share outstanding (in million)</td>
<td>56.52</td>
<td>56.52</td>
<td>56.52</td>
<td>12,151.75</td>
<td>13,503.00</td>
</tr>
<tr>
<td>Face value per share</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Cash dividend on paid up capital</td>
<td>50%</td>
<td>60%</td>
<td>62%</td>
<td>13%</td>
<td>60%</td>
</tr>
<tr>
<td>Dividend payout</td>
<td>18%</td>
<td>19%</td>
<td>49%</td>
<td>53%</td>
<td>54%</td>
</tr>
<tr>
<td>NAV per share</td>
<td>15.01</td>
<td>20.17</td>
<td>21.49</td>
<td>22.70</td>
<td>37.14</td>
</tr>
<tr>
<td>Net operating cash flow per share</td>
<td>14.03</td>
<td>21.53</td>
<td>19.86</td>
<td>20.24</td>
<td>24.77</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>122.31</td>
<td>132.41</td>
<td>54.41</td>
<td>0.25</td>
<td>12.08</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>5.69</td>
<td>6.16</td>
<td>2.52</td>
<td>2.46</td>
<td>12.08</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009
4.3 FINANCIAL ANALYSIS:

In this part I will try to find out the 5 year financial trend of Grameenphone’s revenue, profit before taxes, net profit after taxes, capital expenditure, operating cost, Grameenphone’s assets, owners equity and liability.

I also presented data on net cash flow per share and net asset value per share of Grameenphone Limited. For the mobile service operators Average Revenue per User (ARPU) analysis is very important. I also tried to illustrate the Average Revenue per User data of Grameenphone.

4.3.1 Revenue:

For the financial analysis the thing that comes first is the revenue earned by the particular company. To find out the performance of Grameenphone in terms of revenue earnings following figure is presented with Grameenphone’s revenue of last 5 years with annual constant growth rate.

Table 12: GP Revenue for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (million BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>29473</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>45640</td>
<td>55%</td>
</tr>
<tr>
<td>2007</td>
<td>54303</td>
<td>19%</td>
</tr>
<tr>
<td>2008</td>
<td>61359</td>
<td>13%</td>
</tr>
<tr>
<td>2009</td>
<td>65300</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

From the table we can identify that, the revenue growth rate is decreasing year by year. In the year 2006, the growth rate was the highest that is 55% from the previous year 2005. The major identification is that, the growth rate is positive.

Figure 14: Revenue (2005-2009)
From the above figure it is also clearly shown that the revenue earnings of the GP increase year to year. The past data shows that profitability of GP did not decrease for any year during the last 8 years. And it is the most amazing thing that the revenue of GP became 7.5 times higher within that period. The lager increase is occurred in 2006 when the revenue is increase approximately 55% compared to 2005. And all of these years GP can maintain a healthy rate of revenue earnings. Revenue increased by 6.4% (BDT 3.9 billion) 2009 than the previous year 2008. The most recent increase in the sales or revenue is caused by the sales of GP internet modem and GP handsets, which hit in the market at a great extend.

4.3.2 Profit before Taxes

Table 13: Profit before taxes for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before taxes (million BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>11,761</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>17,020</td>
<td>45%</td>
</tr>
<tr>
<td>2007</td>
<td>13,535</td>
<td>-20%</td>
</tr>
<tr>
<td>2008</td>
<td>11,579</td>
<td>-14%</td>
</tr>
<tr>
<td>2009</td>
<td>18,595</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

Then the next important thing is the profitability that means net profit. Before going to the net profit I will present the information about earnings or profit before tax (EBT) and tax paid by the GP during the last 5 years. Because the tax rate in Bangladesh is changed for many times during that period and it has the probability to affect the net income. So before going to the net income EBT discussion is necessary. The figure below shows the conditions of profit before taxes –

Figure 15: Profit before taxes and tax paid
The figure shows an increasing trend in profit before taxes in 2005 and 2006; then decrease in 2007 and 2008 and again increase in 2009. But the Tax line shows that tax are in slow increasing rate from 2005 and it became much higher in 2006 and 2007 but the tax is deceased thereafter. The more stimulating news is that GP's tax rate will reduced by 10% in 2010, which was previously 37.5% of income and this year it will 27.5% of income, because of being public limited company. This caused a 61% growth in profit before taxes in 2009. It will be a greater advantage for Grameenphone Limited over the other mobile phone operators.

4.3.3 Net Profit after Taxes

Table 14: Net Profit after Taxes for 5 years

<table>
<thead>
<tr>
<th>year</th>
<th>NPAT(million BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6913</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>7484</td>
<td>8%</td>
</tr>
<tr>
<td>2007</td>
<td>3060</td>
<td>-59%</td>
</tr>
<tr>
<td>2008</td>
<td>2984</td>
<td>-2%</td>
</tr>
<tr>
<td>2009</td>
<td>14968</td>
<td>402%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

In the net profit after taxes table, we can see that there had been some ups and downs in different periods. There was an increasing trend up to 2006; in 2007 it drops about 59% from the previous year; again drops 2% in 2008 and in 2009 the growth rate of Net Profit after Tax is almost 402%. This increase was due to higher revenue and lower operating expenses. Another reason of increase in the net profit of the company is the performance and services offered to the customers by Grameenphone. In addition, 2008 net profit after tax was lower due to one-time regulatory payment on account of government compensation.
4.3.4 Capital Expenditure

Table 15: Capital Expenditure for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX (million BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>26,151</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>21,656</td>
<td>-17%</td>
</tr>
<tr>
<td>2007</td>
<td>35,763</td>
<td>65%</td>
</tr>
<tr>
<td>2008</td>
<td>27,351</td>
<td>-24%</td>
</tr>
<tr>
<td>2009</td>
<td>10,369</td>
<td>-62%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

From the figure we can see that the capital expenditure of Grameenphone is decreasing for the last three years. In the last five years the capital expenditure was highest in 2007. The decreasing trend of CAPEX is a good sign for Grameenphone Limited.

4.3.5 Operating Cost

Operating cost are non-capital expenses incurred by a company in normal operations: salaries and wages, insurance costs, floor space rental, electricity, computer maintenance contracts, software maintenance contracts, and so on. In brief, almost all routine expenditures a company makes are operating expenses.

Table 16: Operating cost and Non-operating cost for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cost</th>
<th>Annual Growth Rate of Operating Cost</th>
<th>Non-operating cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16,985</td>
<td></td>
<td>840</td>
</tr>
<tr>
<td>2006</td>
<td>27,547</td>
<td>62%</td>
<td>1,178</td>
</tr>
<tr>
<td>2007</td>
<td>38,054</td>
<td>38%</td>
<td>2,755</td>
</tr>
</tbody>
</table>
For the analysis data are taken for the last 5 years. The above mentioned figure shows that the Operating cost (OC) of GP in increase up to 2008 with same portion of increase in revenue but decreased in 2009 when the profit before tax EBT of GP is again became high. But that impact has little effect as the revenue of GP also increases with that. Our desired result will be finding out by tracking the line of Non operating cost (NOC). The NOC of GP in increase tremendously in 2007 and 2008 almost equal to the decrease amount of EBT. So it can be conclude that the decrease in EBT of GP in the year 2007 and 2008 occurred because of increase in non operating cost. But increase in non operating cost was happened because GP was fined twice by BTRC during that period which effect the profitability of the GP

### 4.3.6 Total Assets

Another important part of the financial analysis of any organization is the analysis of assets of the organization, because assets provide the base of future profitability and give the organization strength to operate in full speed. And the assets indicates the capability of the organization to serve its’ customers. The assets of the GP in last 5 years are as follows-

**Table 17: Total Assets of Grameenphone for 5 years**

<table>
<thead>
<tr>
<th>year</th>
<th>Total Assets(Million BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>49,537</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>66,757</td>
<td>35%</td>
</tr>
<tr>
<td>2007</td>
<td>88,461</td>
<td>33%</td>
</tr>
<tr>
<td>2008</td>
<td>108,194</td>
<td>22%</td>
</tr>
<tr>
<td>2009</td>
<td>109,162</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009
The assets of the GP increase throughout the last 5 years at a very satisfactory rate. In the last 5 years the assets growth rate is also very satisfactory, which indicate that with the increase in the volume of market, GP’s infrastructure and capabilities also increase at that time to serve the increased market. Grameenphone’s current asset base increased by BDT 7.6 billion mainly in cash and bank balance resulting from higher net cash from operations and proceeds from IPO.

But the financing of these assets is another part of analysis, because, assets can be acquired in two ways – (1) through liabilities and (2) through increase equity.

To know that we can analyze the equity and debt of GP in different years, which are presented in the following part.

4.3.7 Owners Equity and Liability

Table 18: Total Owners Equity and Liability for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Equity (million BDT)</th>
<th>Annual Growth Rate of TE</th>
<th>Liability</th>
<th>Annual Growth Rate of Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>18,241</td>
<td></td>
<td>31,296</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>24,509</td>
<td>34%</td>
<td>42,247</td>
<td>35%</td>
</tr>
<tr>
<td>2007</td>
<td>26,111</td>
<td>7%</td>
<td>62,350</td>
<td>48%</td>
</tr>
<tr>
<td>2008</td>
<td>27,588</td>
<td>6%</td>
<td>80,606</td>
<td>29%</td>
</tr>
<tr>
<td>2009</td>
<td>50,154</td>
<td>82%</td>
<td>59,008</td>
<td>-27%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009
To meet up the financing of increase in assets GP use both debt and equity in equal portion up to 2004. But thereafter the main parts of the financing were come from the debt rather than equity. Though equity also increase in small extend. But in the last year equity portion was used as much higher that, it almost became equal to the debt portion of GP. At end of the 2009 GP was running with 54% debt and 46% equity. So at present the debt and equity of the GP are in balanced situation.

Total liabilities decreased during the year mainly due to early settlement of entire bond obligation, repayment of short-term borrowings, reduced deferred tax liabilities due to change in corporate tax rate and allocation of shares to Private Placement Offering (PPO) investors from advance against IPO.

4.3.8 Other Analysis

Net cash flow per share:

Net cash flow per share is a measure of an organizations financial strength. It is a useful measure for the strength of an organization and the sustainability of its business model.

Table 19: Net cash flow per share for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Net cash flow/share (BDT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>14.03</td>
</tr>
<tr>
<td>2006</td>
<td>21.53</td>
</tr>
<tr>
<td>2007</td>
<td>19.86</td>
</tr>
<tr>
<td>2008</td>
<td>20.24</td>
</tr>
<tr>
<td>2009</td>
<td>24.77</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009
From the above figure, we can find out that for the last three years the cash flow per share is increasing. This is a very good sign for the investors. In 2005 net cash flow per share was 14.03; it increased in 2006 to 21.53. Then drops to 19.86 in 2007, but maintain an increasing trend up to 2009.

**Net asset value per share:**

Net asset value per share is a financial term for net asset value that represents a company’s value per share. This term is also referred to as “book value per share”, is usually below the market price per share.

**Table 20: Net asset value per share for 5 years**

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV/share (BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>15.01</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>20.17</td>
<td>34%</td>
</tr>
<tr>
<td>2007</td>
<td>21.49</td>
<td>7%</td>
</tr>
<tr>
<td>2008</td>
<td>22.70</td>
<td>6%</td>
</tr>
<tr>
<td>2009</td>
<td>37.14</td>
<td>64%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

In 2009 Grameenphone’s NAV was 37.14, which is the highest with a growth rate of 64%. So the company’s stocks have strong value in the market. This basis for this increase is that Grameenphone has performed very well in their business.
Earnings per share

Table 21: Adjusted Earnings per share

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EPS (BDT)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5.69</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>6.16</td>
<td>8%</td>
</tr>
<tr>
<td>2007</td>
<td>2.52</td>
<td>-59%</td>
</tr>
<tr>
<td>2008</td>
<td>2.46</td>
<td>-2%</td>
</tr>
<tr>
<td>2009</td>
<td>12.08</td>
<td>391%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

From the above figure we can find that, in the year 2009 the EPS is the highest (12.08 BDT). In 2005 and 2006 there was an increasing trend in EPS, but it dropped in 2007 and 2008.
Average Revenue per Unit

Table 22: Average Revenue per User for 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Revenue per User</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>653</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>466</td>
<td>-29%</td>
</tr>
<tr>
<td>2007</td>
<td>329</td>
<td>-29%</td>
</tr>
<tr>
<td>2008</td>
<td>262</td>
<td>-20%</td>
</tr>
<tr>
<td>2009</td>
<td>250</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Source: Grameenphone Annual Report 2009

From the above table we can see that, there exists a negative growth rate in average revenue per user through last five years. That means per user revenue is decreasing for Grameenphone.

Considering the ARPU trend over the last five years, a further decline in ARPUs is expected, largely because of price war among the cellular operators, revenue growth of the Company may come under pressure. However, through diversifying its product base, adding more value added features, GP is expected be able to maintain its revenue level.
4.4 RATIO ANALYSIS:

Another important way to analyze the performance of the business is financial ratio analysis. Because financial ratio analysis enables us to calculate return, liquidity power earnings etc. Financial ratios are useful indicators of a firm’s performance and financial situation. Financial ratios can be used to analyze trends and to compare the firm’s financials to those to other firms. The financial ratios of GP in the last 5 years presented in the following table:

**Current asset to current liability:**

This ratio is calculated by dividing current assets by current liabilities. This ratio indicates how much current assets are there as against each rupee of current liabilities. If majority of current assets are in the form of inventory, even a 2:1 ratio will not result into favorable condition because inventory is considered to be the least liquid assets out of all current assets of a firm.

\[
\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liability}}
\]
Current asset to current liability | 2005 | 2006 | 2007 | 2008 | 2009
----------------------------------|------|------|------|------|------
                                      0.42 | 0.44 | 0.19 | 0.29 | 0.57

It measures the liquidity of the organization. The liquidity ratio of GP indicates that it maintains a very low rate of liquidity in 2007 and 2008, which means GP capability of fulfilling short term debt was very low for these two years. But current asset to current liability ratio increase in 2009. This is a good sign for short term creditors of Grameenphone.

**Gross profit margin:**

The gross profit margin is a measure of the gross profit earned on sales. Gross profit margin serves as the source for paying additional expenses and future savings. The gross profit margin considers the firm’s cost of goods sold, but does not include other costs. It is also known as “gross margin”.

\[
\text{Gross profit margin} = \frac{\text{Revenue} - \text{Cost of goods sold}}{\text{Revenue}}
\]

<table>
<thead>
<tr>
<th>Gross profit margin</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>47%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Though the decreasing trend indicates that, the sales of Grameenphone are decreasing, Grameenphone maintains a good gross profit margin in each and every year. All the years it earns gross profit over 47%.

**Return on equity (ROE):**

Return on equity is the bottom line measure for the shareholders, measuring the profits earned for each taka invested in the firm’s stock. That means the ratio figures out the net benefit that the stockholders receive from investing their capital in the organization.

\[
\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}
\]

<table>
<thead>
<tr>
<th>Return on equity (ROE)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43.6%</td>
<td>35.0%</td>
<td>12.1%</td>
<td>11.1%</td>
<td>38.5%</td>
</tr>
</tbody>
</table>
In the last 5 years Grameenphone maintained a very healthy percentage of ROE ratios. In three years it maintained the ROE ratio over 35%, but in 2007 and 2008 it dropped to 12.1% and 11.1% respectively. The industry average ROE and GP’s ROE are almost equal in the year 2009. But by considering the scenario of last 5 years it can be said that GP’s efficiency in utilizing capital is well.

**Return on asset:**

Return on asset is a measure of how effectively the firm’s assets are being used to generate profit. It is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage.

\[
\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}
\]

<table>
<thead>
<tr>
<th>Return on assets (ROA)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>18.1%</td>
<td>12.9%</td>
<td>3.9%</td>
<td>3.0%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

![Figure 25: Return on equity (2005-2009)](image1)

![Figure 26: Return on asset (2005-2008)](image2)
From the above presented figure, it is founded that GP also maintain a high ROA ratio. And in some years its’ return on asset is very high. But the ratio dropped in 2007 and 2008. The reason of which is like as reason of decrease in ROE. The industry average ROA is 11.29% in 2009 and ROE of GP in 2009 is 13.8%, so this can be said that GP has a high efficiency of utilizing assets.

Debt to equity:

This ratio compares the long-term debts with shareholders fund. The relationship between borrowed funds & owners capital is a popular measure of the long term financial solvency of a firm. This relationship is shown by debt equity ratio. Alternatively, this ratio indicates the relative proportion of debt & equity in financing the assets of the firm.

\[
\text{Debt to equity} = \frac{\text{Total long term debt}}{\text{Total shareholders fund}}
\]

<table>
<thead>
<tr>
<th>Debt to equity</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.50</td>
<td>0.32</td>
<td>0.63</td>
<td>0.68</td>
<td>0.14</td>
</tr>
</tbody>
</table>

From above we can see that Grameenphone is able to maintain a very good average of debt to equity ratio. Grameenphone maintain a good balance of debt with equity provided by the shareholders. This is a positive sign for the shareholders of Grameenphone Limited.
Chapter 5

FINDINGS AND RECOMMENDATION
5 FINDINGS AND RECOMMENDATION:

The findings of the analysis done in the previous chapter can be discussed into two parts – positive and negative. I also include some recommendation of Grameenphone Limited for their future prospect. The findings and recommendations are briefly discussed in the following section.

The positive findings of the analysis of the performance of the Grameenphone are as follows-

- From the financial analysis we can find that Grameenphone has able to maintain an increasing trend in revenue in each and every year. This is a very good sign for the company. The strong customer base of GP (20.99 million in 2008) and its superior service quality is the prime factor for its large revenue scale in spite of decreasing ARPU trend. In the coming years if Grameenphone can maintain its strong subscriber base and market share by introducing more new products and services with more innovative features, the company will be able to sustain its strong revenue growth.

- The company has able to sustain huge amount of earnings before tax (EBT) and net income for the last five years. In 2010, being a public limited company the corporate tax rate is reduced, so the earnings before tax will grow higher in the coming year. It will be a greater advantage for Grameenphone Limited over the other mobile phone operators. In 2009 the growth rate of Net Profit after Tax is almost 402%. This increase was due to higher revenue and lower operating expenses.

- The company was very much successful in lowering their capital expenditure in 2009. The CAPEX in 2008 was BDT 27,351 million but in 2009 it drop off to only BDT 10,361 million.

- The assets of the GP increase throughout the last 5 years at a very satisfactory rate. In the last 5 years the assets growth rate is also very satisfactory, which indicate that with the increase in the volume of market, GP’s infrastructure and capabilities also increase at that time to serve the increased market.

- Grameenphone has able to keep balance in the shareholders equity and liability portion. In the year 2009 the equity portion increases 82% while the liability portion decreases. At end of the 2009 the company was running with 54% debt and 46% equity.

- Due to market competition started back in the past years, Average Revenue per User (ARPU) decreases over the previous years from BDT 262 in 2008 to BDT 250 in 2009. This is an alarming sign for Grameenphone as the market competition is increasing day by day. To maintain a good level of ARPU the
company should make an effort to increase its subscriber base by introducing more products and services and more value added services.

Though the decreasing trend indicates that, the sales of Grameenphone are decreasing, Grameenphone maintains a good gross profit margin in each and every year. All the years it earns gross profit over 47%. In future to maintain a good gross profit the company should try to increase its sales volume.

The ratios indicate high profitability position of GP considering its size and scale of operation in spite of recent downturn in the ratios. Slow down of revenue growth due to reduction in tariff structure (high competition affects GPs pricing power) and higher asset growth and revenue growth (Asset Growth: in 2008 22.3%; Revenue Growth in 200: 6.0%) partly attributes to the profitability level.

The industry average ROE and GP’s ROE are almost equal in the year 2009. But by considering the scenario of last 5 years it can be said that GP’s efficiency in utilizing capital is well. This efficiency in utilizing capital to generate income would be a driving force for Grameenphone in the coming years. The industry average ROA is 11.29% in 2009 and ROE of GP in 2009 is 13.8%, so this can be said that GP has a high efficiency of utilizing assets to provide revenue. The increase in assets indicates the capabilities of serving large customer base in future. The company has huge established infrastructure and fixed assets, which is also a very good indication for their future operation and prospect.

The company is enjoying reduced tax rate for being public limited company.

The negative sides of the findings are as follows –

There were decreases in Earnings before Tax in the past two years and also net income in the past two years.

The company has been found twice by regulatory authority (BTRC) not to comply with the law. For that Grameenphone was fined twice huge amount of money for not being compliant with the telecommunication authority. This is the reason for the huge increase in non operating expenses in 2008. The management of Grameenphone should be much more in charge of what is happening in its operation, because now being a public company there is much more risk involved for the shareholders.

Recently the market share of Grameenphone is decreasing. And from the analysis of 35 month subscriber growth data we also see a decreasing trend in the growth rate as well as in the subscriber gain.
Chapter 6

CONCLUSION

grameenphone
6 CONCLUSIONS:

The Credit Rating Agency of Bangladesh Limited (CRAB) has reaffirmed AAA rating in the Long Term and ST1 rating in the Short Term of Grameenphone Limited. The reaffirmation of GP's rating recognizes the Company's track record of consistently achieving good operating results, its leading position in the cellular market in terms of market share for a decade (market share as of June 2009 is 45.0%), its strong presence all over the country and its large network of last-mile connectivity and growth prospect. CRAB rating also reflects the financial and operating strength of its major shareholders.

The telecom sector in Bangladesh has been experiencing a healthy growth, fueled by intense competition that resulted in expansion in both network coverage and subscriber base. While the country's cellular teledensity currently stands at around 32.31%, there is yet sound growth prospects for mobile operators. Although GP has been facing a decline in its market share (October 2010: 43.45%; 2009: 45.0%; 2008: 47.0%), it still holds the leadership position with the largest network as well as subscriber base. GP reported a customer base of 28.48 million as of October 2010, which represents annualized growth of 22.44% from the previous year. As a result of implementation of policies directed by the regulators, dormant subscribers have been eliminated from total subscriber base. However, the Company took initiative to activate the dormant subscribers with attractive packages.

Amidst global recession and intense competition in the market, Grameenphone has had a good year in terms of subscription growth and its financial consolidation. Competitors are engaged into price war and with new entrants coming into the market, there is a possibility of exhilarating competition ahead.

Regulatory authorities have played a pivotal role in business environment with new directives and guidelines, such as reduced interconnect prices, guidelines for infrastructure sharing and likewise.

Grameenphone continued with its product innovation and offering wide array of services, namely introducing GP branded handsets and edge modems bringing alternate revenue streams. Side by side, Grameenphone embraced cost optimization initiatives through operational excellence program to maximize profit. In addition, Grameenphone opted for cost-efficient network solutions through swapping of assets with Huawei equipments.

The most colossal episode for Grameenphone was its listing in the country's Dhaka and Chittagong Stock Exchange in Nov'09, which entitled Grameenphone to avail a reduced corporate tax rate.

2011 promises to be full of opportunities to expand GP's business and ICT expertise to meet new development challenges as well as offer yet even more innovative products and services for its customers.
LIST OF ABBREVIATIONS:

ADB---------Asian Development Bank
AGM---------Annual General Meeting
AOA---------Articles of Association
APPM--------Average Price per Minute
ARPU--------Average Revenue per User
BDT---------Bangladesh Taka
BTRC--------Bangladesh Telecom Regulatory Commission
BAS---------Bangladesh Accounting Standard
BOI---------Board of Investment
BCCM-------Business Continuity and Crisis Management
CIC---------Community Information Center
EDGE-------Enhanced Data rates for GSM Evolution
ERP--------Enterprise Resource Planning
FDI---------Foreign Direct Investment
GP---------Grameenphone Limited
GDP--------Gross Domestic Product
GTC--------Grameen Telecom
GSM--------Global System for Mobile Communications
GPRS-------General Packet Radio Service
HSSE-------Health, Safety, Security and Environment
IFRS--------International Financial Reporting Standard
ICFR--------Internal Control over Financial Reporting
ICT--------Information and Communication Technology
ITU--------International Telecommunication Union
KPI--------Key Performance Indicator
MOPT-------Ministry of Posts and Telecommunications
NBR--------National Board of Revenue
NOK--------Norwegian Kroner
RJSC-------Register of Joint Stock Companies and Firms
SMS--------Short Message Service
SOX--------Sarbanes Oxley Act
SEC--------Securities and Exchange Commission
TMC--------Telenor Mobile Communications
VP----------Village Phone
VMS--------Voice Mail Service
VAS---------Value Added Services
VSAT-------Very Small Aperture Terminal
WAP--------Wireless Application Protocol
BIBLIOGRAPHY:


