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Reliance Insurance Limited: Prospectus

Continued from page 13

The excessive claim during 1991 was due to claims arising from severe cyclonic losses of 1991. 5. Company's operating and financial performances during the last five years is summarised below:

	A. Operating Performa (Based on Audited Ad				(Taka	in millio
SI No. 1.	Particulars Interest, dividends, rents, underwriting	1990	1991	1992	1993	1994
	profits and other income from			ANGLE MORE		. Proceedings
	operations	32.34	26.40	32.43	33.20	37.65
2.	Operating expenses advertising, deprecia- tion, bonus, legal					
	fees, audit fee, etc.	4.62	5.80	6.91	6.74	6.78
3.	Net Profit (B.T.)	27.72	20.60	25.52	26.46	30.87
4.	Provision for taxes	13.49	6.90	10.90	10.40	7.50
4 . 5.	Net Profit (A.T.)	14.23	13.70	14.62	16.06	23.37
b .	(a) Reserve for excep-					
	tional loss	6.94	7.80	8.86	10.26	11.68
	(b) Dividend	6.00	6.00	6.00	6.00	6.00
	Larning per Share					
	(Taka)	47.43	45.66	48.73	53.53	77.90
s	NAV per share (Tk.)	137.53	163.20	191.97	226.03	284.19
y	Price Earning Ratio				2000	
172	At Par Tk.100.00	2.11	2.19	2.05	1.87	1.28
799/56539	At NAV	2.90	3.57	3.94	4.22	3.66
(Sec.)	ADDRESS OF THE PROPERTY OF THE	2040-01-01-01	4	ORDAYS -	S. T. S. Martine	100000000
	B. <u>Financial Position as</u> (Based on Audited Ac		mber			
200		PALSE PROPERTY AND TO			(Taka	in milli
SI.	Particulars	1990	1991	1992	1993	1994
VO.	ratticulars	1990	1991	1992	15-25	1994
(a)-	Property & Assets:					
(1)	Fixed Assets	8.23	8.35	6.72	6.95	5.70
(2)	Investment	6.50	6.50	7.00	31.33	51.35
(3)	Stationery/Stamp	0.64	1.02	0.96	0.83	1.41
(4)	Accounts Receivables	41.78	63.57	79.86	80.06	59.52
(5)	Sundry Debtors	26.11	34.27	48.24	65.07	81.95
(6)	Cash/Bank	74.23	74.48	91.95	107.90	115.48
	TOTAL	157.49	188.19	234.73	292.14	315.41
(b)	Capital/Liabilities:	-4	88			
(1)	Paid up Capital	30.00	30.00	30.00	30.00	30.00
(2)	Retained Earnings/	97.95.75.658X				
55300	Reserves	1.29	1.19	. 0.97	0.93	6.70
(3)	Reserves for	525	52 1/29/	~		
COMPANY	Exceptional Losses	9.97	17.77	26.62	36.88	48.56
(4)	Balance of Accounts	28.14	31.94	36.49	42.38	48.45
(5)	Dividend Payables	6.00	6.00	6.00	6.00	6.00
(6)	Premium Deposit					
	and Liabilities/	Value - Carlos	Particular Charles	747 22 74 21 7 7 22 7 1	7-9 tools 700as	September 1911
	Provisions	82.09	101.29	134.65	1 <u>75.95</u>	175.70
	TOTAL	157.49	188.19	234.73	292.14	315.41
(c)	Net Asset Value Per					
1175000	Share (Tk.)	137.53	163.20	191.97	226.03	284.19
	The state of the s	and the local division in	ALCOHOL: A SECTION AND ADDRESS OF THE PARTY		2775	

The above data have been summarised from the Audited Annual Accounts of the company.

06. The Company had declared dividends @ Tk.20.00 on each ordinary share of Tk.100.00 for each of the years 1990, 1991, 1992, 1993 and have proposed the same rate of dividend for 1994. Net profit of the Company have risen steadily over the years since commencement of business. The Directors hope that the company will be able to maintain the profitability level so far achieved in the years ahead barring unforeseen and catastrophic circumstances. The Directors hope to follow a satisfactory dividend policy for the shareholders and encourage investment by general public. The company distributes its profits as recommended by the Directors after making necessary provision for depreciation, reserves, statutory reserves, taxes and such like matters in order to broaden its base and strengthen its financial capability.

INDUSTRY PERFORMANCE:

General Insurance industry has performed steady growth in Bangladesh during the last five years (1989 - 1993). The volume of business indicated by gross premium income by public vis-avis private sectors operators are given below:

SI.					(Taka in million)	
No.	Particulars	1 <u>993</u>	1 <u>992</u>	19 <u>91</u>	19 <u>90</u>	19 <u>89</u>
1.	Total gross premium	2275.80	2275.47	1996.03	1907.20	1785.60
2	Public sector (SBC)	518.50	514.10	541.10	799.30	794.10
3.	Private sector (all)	1757.30	1761.37	1454.93	1107.90	991.50
4.	Share of private sector	77.2%	77.4%	72.9%	58.1%	55.5%
5.	RIL gross premium	183.37	143.69	130.15	113.62	86.05
6.	RIL share in total	8.1%	6.3%	6.5%	6.0%	4.8%
7.	RIL share of private	10.4%	8.2%	9.0%	10.3%	8.7%

The above statistics reveal that RIL has been able to capture a sizable share of the entire market (3rd position) from its first full year of operation (1989) and attained sustained growth since then leading to the first position amongst private sector companies in 1993.

PART VI

RISKS, REDRESSAL AND LITIGATION

RISKS: (a) Risk Factors:

> The company is operating in a field involving a great deal of external/internal risk factors. They are:

- Any major change by government in insurance policy relating to nationalisation of ownership may seriously affect the interest of the shareholders.
- Any structural change in the international insurance business adversely affecting reinsurance operations may have negative impact on the profitability of the
- The coverage of natural calamities like cyclone, flood by insurance may severely weaken the financial strength of the company by accruing heavy claims.
- Government policy change in respect of rates of premium, agents' commission, reinsurance commission, interest of deposits, etc. may affect income and profitability.
- Liberalisation or permission to set up more insurance companies by government may result in severe competition amongst insurers reducing profitability.
- Projects financed by the company may be affected adversely by unforeseen factorseconomic, social and financial as well as government policies, resulting in financial losses.
- Any sudden separation of trained professionals may adversely affect business volume and thereby profitability.
- (viii) The earning forecast has been evaluated by the management, not by any outside agencies, like banks, DFIs or NGOs.
- Management Perception of Risk Factors:

The management of RIL perceives the risk factors as follows:

- The policy of earlier nationalisation had adversely affected the economic growth of the country. The subsequent governments realised the consequences and have later taken conscious efforts in reversing the policy leading to expanded role of the private sector and operation of market mechanism. It is most unlikely that the government would take any step that would negate the economic benefits to the nation, especially when all the major political parties have accepted the concept of market economy and privatisation as national economic objectives.
- The history of insurance/reinsurance business for over two hundred years proves that any major structural change affecting our reinsurance business is unimaginable. Any such event would create a global destabilisation which the major economies must not cause to happen.
- The estimated losses arising from natural calamities are covered by higher rates of premium and reinsurance since coverage for such losses have been included in insurance underwriting business in the country. Management have taken into consideration actuarial assessment of occurrence of natural calamities in setting its rates of premium and reinsurance risk.

- (iv) The government, which is the owner of Sadharan Bima Corporation and Jiban Bima Corporation, is not expected to change policies relating to rates of premium, commission and law relating to insurance requirements, affecting the income of the insurance companies without proper consequential relief, for self-interest.
- Though liberalisation of insurance policy by government may be encouraging new entrants and results in tough competition, RIL does not apprehend any loss of business due to its competent management team and expanding trend of insurance business in the country. RIL, despite late arrival, has already proved its leading role by its performance.
- (vi) RIL management has been very selective in its investment decisions which have already produced positive results. RIL feels government will not create any situation leading to abrupt losses of investments, especially when industrial output is showing signs of growth.
- (vii) RIL is continuously training its executives for meeting growing challenges of existence. Major staff separation is however unlikely in view of the fact that RIL management provides the best service conditions to its professional and other employees in respect of pay, allowance, retirement and other welfare facilities.
- (viii) The earning forecast has been evaluated on the basis of past performance and experience. The business trend justifies that the forecast is unlikely to go wrong
- 112 REDRESSAL OF INVESTORS GRIEVANCES:

Any investor grievance may be addressed to the Company Secretary at the Corporate Head Office at BSB Building (11th floor), 8 Rajuk Avenue, Dhaka, who will personally attend to the same. The company will endeavor to dispose of the grievance within a month

- OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENT
- There is no outstanding pertaining to:
 - (i) Matters likely to affect the operations and finance of the company
 - (ii) Criminal prosecution against the Company and Directors.

(b) The Company has not defaulted in meeting any statutory dues, institutional dues, or dues to instrument holders. Also the contingent liabilities position as on 31 December 1993 in respect of the following are as given below

(i) Income Tax disputed in appeal	Nil
(ii) Disputed VAT liability.	Nil
906 2250 N VS2 10 VS25	

A few law suits in respect of claims against the (iii) Disputed claims liability company have arisen but any ultimate liability which would result from such litigations would not have a material adverse effect on the company's financial position because large portion's of the claims in

	dispute have been a	idequately provided for:
(iv)	Disputed reinsurance liability	Nil
(v)	Disputed employee liability	Nil

(c) No material development has taken place since the date of last Balance Sheet which could affect the performance of the Company or the projects financed by the company.

PART VII

MANAGEMENT OF THE COMPANY

SPONSORS

The sponsors of the Company include a number of renowned limited companies operating successfully for many years. The representatives of the sponsor companies are in the Board of

NAME		ADDRESS
General Produce International Limited		18, Park Road. Baridhara, Dhaka 1212.
Meenhar Agencies Limited	ŭ	58, Agrabad C. A., Chittagong.
Prantik Engineering Company Ltd.	*	87/2, Shankar, Dhanmandi R. A., Dhaka.
Rangs Limited		Rangs Bhaban, 113-116, Old Airport Road, Dhaka.
FinAccord Trading Limited	40 % # 2 P	Chamber Building, 122-124, Motijheel C. A., Dhaka 1000.
Trinco Consultants Limited		52, Motijheel C. A., Dhaka 1000.
Kumudini Welfare Trust of Bengal (Bangladesh) Ltd.	3	72, Sirajuddowla Road, Khanpur, Narayanganj.
Transfin Trading Limited	22	52, Motijheel C. A., Dhaka 1000.
Arlinks Limited	**************************************	20, Outer Circular Road, Rajarbagh, Dhaka 1000.

Other sponsors are individuals with vast experience in different field of financial management and administration as given below

titilitiistiation as given octori.	7.º
Mr. Shamsur Rahman	52 Motijheel C. A., Dhaka 1000.
Mrs. Forroque Rahman	52 Motijheel C. A., Dhaka 1000.

BOARD OF DIRECTORS

The control of the company and the management of its business is vested in the Board of Directors. The following persons are the present Directors of the Company.

PARTICULARS RELATING TO OTHER

NAME & ADDRESS	DIRECTORSHIP/MEMBERSHIP	STATUS
CHAIRPERSON	14	
Mrs. Joya Pati	Chairperson & Managing Director:	
2, Sirajuddowla Road,	Kumudini Welfare Trust of Bengal	
Chanpur, Narayanganj.	(Bangladesh) Ltd.	Private Limited Company
NEGOT AND SEC MANY	Bengal River Services (BD) Ltd.	Private Limited Company
	Chairperson:	
	Kumudini Pharma Ltd.	Private Limited Company
10	Director:	
	Social Marketing Co. Ltd.	Private Limited Company
	Committee Member:	
	Metropolitan Chamber of	
	Commerce & Industry	
	Country Representative:	
	Private Agencies Collaborating	
	Together (PACT)	45
ICE CHAIRMAN		
Ir. A. S. Mahmud	Chairman:	Public Limited Company
louse No. 5,	Bangladesh Lamps Ltd.	listed with D.S.E.
oad No. 125,		
ulshan Model Town,	Bangladesh Electrical Industries	
haka	Limited	Private Limited Company

Private Limited Company Transcom Electronics Limited Private Limited Company Transcom Distribution Co. Ltd. Managing Director: Private Limited Company

Media World Ltd. Public Limited Company Director: (not listed) Nestle Bangladesh Ltd. Public Limited Company Eskayef Bangladesh Ltd. (not listed) Private Limited Company Transcom Limited

Mr. M. Shamsul Alam Director: 18, Park Road, Baridhara, Dhaka. Ltd. Mr. Anwarul Huq House No. 125, Road No. 23,

DIRECTORS:

Town, Dhaka.

General Produce International Mills Furnishing Ltd. Chairman & Managing Director: FinAccord Trading Ltd. Vice President: Block A, Banani Model

Private Limited Company Private Limited Company Private Limited Company DIRECTORS: Mr. Latifur Rahman

House No. 1077. Road No. 83. Culshan Model Town Dhaka

Chairman: Nestle Bangladesh Ltd Managing Director: Transcom Limited

Bangladesh Lamps Ltd.

Transcom Electronics Ltd. Transcom Distribution Co. Ltd. Eskayef Bangladesh Ltd. W. Rahman Jute Mills Ltd.

Bangladesh Electrical Industries

Tea Holdings Ltd. Director: Media World Ltd Monipur Tea Co. Ltd. Marina Tea Co. Ltd. M. Rahman Tea Co. Ltd. Immediate Past President:

Metropolitan Chamber of

Arlinks Limited

Vice President:

Chairman:

Director.

Bhatiari Golf Club

Managing Director:

Multicom Limited

Media World Ltd.

Managing Director:

Media World Ltd.

Managing Director:

Sea Resources Limited

lamuna Textile Mills Ltd.

Rangs Limited

Director:

Chairman:

Bangladesh Lamps Ltd

Eskayef Bangladesh Ltd.

Monipur Tea Company Ltd.

Marina Tea Company Ltd.

Transcom Electronics Ltd.

M. Rahman Tea Company Ltd.

Chairman & Managing Director:

Immediate Past Vice President:

Chairman & Managing Director:

Metropolitan Chamber of

Meenhar Agencies Limited

Chittagong Stock Exchange

W. Rahman lute Mills Ltd.

Meenhar & Company Limited

Meenhar Sports Shoes Limited

Limited

Commerce & Industry Mr. Azimur Rahman Chairman: NE(N)12, North Avenue. R. R. Cold Storage Ltd. Gulshan Model Town. Media World Limited Aris Holdings Ltd. Dhaka:

Commerce & Industry Mr. Habibullah Khan House No. 9, Road No. 5, Meenhar Seafoods Limited

Khulsi Hills. Chittagong.

Mr. Shamsur Rahman

House No. 27. Road No. 31. Gulshan Model Town, Dhika

DIRECTORS:

Mr. A. Rouf Chowdhury

House No. 44, Road No. 113, Gulshan Model Town, Dhaka. Mr. Asadul Huq House No. 1/4, Road No. 6, Block A, Lalmatia

> Private Limited Company Prantic Electrical Industries Ltd. ADMINISTRATIVE & TECHNICAL MANAGEMENT

Prantic Engineering Company Ltd.

The day to day business including technical and administrative affairs of the Company are conducted by the Managing Director under the control and supervision of the Board of Directors. Mr. M. Shamsul Alam is the Managing Director and Chief Executive Officer of the Company. Mr. Alam joined the Pakistan Insurance Corporation in 1960 after obtaining a First Class Masters in Commerce with Honours Degree from Dhaka University in 1959. He is also an Associate Member of the Chartered Insurance Institute, London. He received on the job training in several insurance companies in London, at Lloyds, and at Swiss Reinsurance Co., Zurich, under the British Govt. Scholarship in 1963-64. After nationalisation of insurance in Bangladesh, Mr. Alam was the first Acting Managing Director of Sadharan Bima Corporation (government owned general insurance corporation) and from 1973-76 worked as General Manager of all technical departments. He was appointed Managing Director in 1976 and worked as M.D. in Sadhran Bima Corporation till 1986. Mr. Alam also was the Managing Director of Jiban Bima Corporation (government owned life insurance corporation) from October 1986 to November 1987

Director of Reliance Insurance Limited. He was the Vice Chairman of Asian Reinsurance Corporation at Bangkok, a Multi-national Regional Reinsurance Organization from 1981-85 and Chairman from 1985-87. Mr. Alam has vast experience in insurance & reinsurance business and is widely known both at home and abroad

and after that he voluntarily retired in order to become one of the promoters and first Managing

Mr. Anwarul Hug is the Deputy Managing Director of the company. He started his career in 1960 with Sinclair Marray (Pakistan) Ltd., a company of Insurance Loss Assessors, Adjusters, and Surveyors. Mr. Hug was trained with Munich Reinsurance Company, Munich, and Mund Und Fester & Co., Humburg, Germany, on underwriting, claims and reinsurance. He received on the job training in Risk Management and General Average Adjustments from Johnson, Sons & Mowatt, London. He resigned from the post of General Manager in Sadharan Bima Corporation in order to become one of the promoters and Deputy Managing Director of Reliance Insurance

Mr. Anwarul Hug has vast experience in insurance business and is widely known both at home and abroad.

The team of management of the company is well qualified and is well-balanced between experienced and young executives to ensure smooth and efficient continuity.

DIRECTORS' INTEREST, REMUNERATION, ETC.

Directors' Interest:

The Directors have no personal interest except to the extent of their shareholdings in the Company and receiving remuneration provided in the Articles of Association of the Company.

Number of Directors:

The number of Directors of the Company shall be not more than fifteen and not less than twelve as follows:

Not more than twelve Directors shall be persons nominated by sponsor shareholders and/or their heirs or successors or legal representatives.

The remaining Directors shall be elected by other shareholders. Qualification:

The qualification of Directors of the Company shall be holding in his own name or in the name of the Company he represents unencumbered shares in the Company of the aggregate nominal value of not less than Tk.5,00,000 (Taka five lakh) only and/or as per decision of the Government for the time being in force.

Remuneration:

The remuneration of a Director shall be Tk.750 (Taka seven hundred and fifty) only for every meeting attended by him or such other sum as may be prescribed by law from time to time

Appointment and Remuneration of Managing Director:

The Managing Director is the Chief Executive of the Company who shall be appointed, subject to the provision of the Insurance Act, 1938 and Articles 104.01, by the Directors nominated by the sponsor shareholders for such period as may be decided by the Board of Directors. A person other than a Director may also be appointed as the Managing Director of the Company. The remuneration of the Managing Director shall from time to time be fixed by the Board of Directors.

Borrowing Powers:

The Directors are empowered by the Articles of Association of the Company to raise or borrow any sums of money for the purposes of the Company on security or otherwise

PART VIII FINANCIAL INFORMATION AUDITORS' REPORT

The Board of Directors Reliance Insurance Limited BSB Building, 8 RAJUK Avenue Dhaka

Gentlemen

(A) Pursuant to section 135(1) of the Companies Act, 1994, we report that the profits of Reliance

Continued on page 15

Federation

Bangladesh Squash Rackets