

Abridged Version of Prospectus



ACI Limited

ACI 20% Convertible Zero Coupon Bonds

Advanced Chemical Industries Limited (ACI)

ACI Centre, 245 Tejgaon Industrial Area, Dhaka- 1208, Tel: (02) 98856948- Fax: (8802) 9884784, 9565257, Website: www.aci-bd.com

Public Offer of 106,868 lots of Convertible Zero Coupon Bonds of Tk 3,743 each (Face Value Tk. 5,000)

Subscription for General Public

Opening date: 31 January 2010

Closing date: 04 February 2010

Subscription for NRB Applicants

Opening date: 31 January 2010

Closing date: 13 February 2010

MANAGER TO THE ISSUE

Alliance Financial Services Limited

Rahman Chamber (3rd Floor), 12-13, Motijheel C/A, Dhaka-1000. Tel: 88-02-9515468, 9515469, Fax: 88-02-9515467, E-mail: info@allfin.org, Website: www.allfin.org

FACILITY ARRANGER & TRUSTEE

Industrial & Infrastructure Development Finance Co. Ltd. (IIDFC)

Chamber Building (6th & 7th floor), 122-124 Motijheel C/A, Dhaka-1000, Tel: 9559311-12, 9553387, Fax: 88-02-9568987, www.iidfc.com

CREDIT RATING BY

Credit Rating Information and Services Limited (CRISL)

Issue Rating (ACI 20% Convertible Zero Coupon Bond)	A - (Indicative)
Entity Rating - 2008	A+
Date of Rating Declaration	29 April 2009

SPECIAL NOTE

Please read the prospectus carefully which includes "Risk Factors" before taking your investment decision.

An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.

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

USE OF PROCEEDS

ACI Pharmaceuticals is expected to be introducing three new lines of medicine products namely Anti Cancer, Hormone & Steroid and Amino Acid. For this new initiative, ACI is expected to be invested Tk. 579 Million in new Pharmaceuticals projects and the balance Tk. 403 million is proposed to be used for working capital and to reduce current bank borrowings.

BRIEF DESCRIPTION OF ACI 20% CONVERTIBLE ZERO COUPON BOND

A. Issuer: ACI Limited

B. Issue size: Tk. 1 Billion, the face value of which is Tk. 1.34 Billion

C. Major features

► **Zero Coupons:** No interest will be payable on periodical basis. Bonds will be issued at discounted value (Tk. 3,743 per lot) but will be payable at face value (Tk. 5,000 per lot). The difference between the issue price and repayment value (Tk. 1,257) will be redemption income to the bondholders.

► **Effective rate of return (discount rate):** 10.5% p.a. excluding tax exemption benefits and capital gain from conversion.

► **Selling units:**

• Total number of bonds to be issued: 1,335,850 (the face value of each bond is Tk. 1,000)

• Total number of lots: 267,170 (the face value of each lot is Tk. 5,000 and issue value is Tk. 3,743)

► **Formation of lot:**

• The face value of each bond will be Tk. 1,000 and five bonds will be bundled together to make a lot; that is each lot will be consisted of five bonds (five series) with five different maturity dates ranging from 1 year to 5 years.

► **Maturity and redemption:**

• Five bonds in a lot will have five different maturity dates i.e. at the end of each year one bond from a lot will mature.

• At maturity of each respective bond, redemption will be made at cash to the extent of 80% and rest 20% will be converted into ordinary shares of ACI Limited. However the bondholders will have option to redeem 100% in cash.

• The strike price to convert bonds into ordinary share will be the net asset value per share as per the last annual audited accounts X 1.1

► **Tradability:** Will be listed in the DSE and CSE and freely transferable.

► **Tax exemption:** As per Clause 40 of the amended Sixth Schedule of Income Tax Ordinance No. XXXVI of 1984 published in Bangladesh Gazette dated June 30, 2008, the redemption income to the bondholders is fully tax exempted except for banks, insurance and financial institutions.

D. Bond schedule for each lot:

Series	Terms	Maturity date	Issue Price	Face value	Redemption income	*Effective rate of return	80% Cash Share	20% Capital gain
1	1 year	After 1 year	905	1,000	95	10.50	800	200
2	2 year	After 2 year	819	1,000	181	10.50	800	200
3	3 year	After 3 year	741	1,000	259	10.51	800	200
4	4 year	After 4 year	671	1,000	329	10.49	800	200
5	5 year	After 5 year	607	1,000	393	10.50	800	200
		Total	Tk. 3,743	Tk. 5,000	Tk. 1,257	10.5%	4,000	1,000

* This rate of return is excluding tax exemption benefits and capital gain from conversion.

E. The return of bondholders will be comprised of the following three components:

• Redemption income; the difference between issue price and the face value.

• Tax exemption benefits; grossing up tax benefits.

• Capital gain from conversion; the difference between strike price and market price.

Convertible Option:

The investors have the option of redeeming the entire face value of the bond in cash upon maturity or can redeem 80% in cash and convert 20% of the bond value in the common stock of the company. Odd lot and fractional amount of shares will be paid through warrant on disposal at prevailing market price.

Conversion date:

Conversion date will be same as the Principal Payment Date at the end of each maturity.

RATIONALE FOR INVESTING IN ACI 20% CONVERTIBLE ZERO COUPON BOND

Zero-coupon bond is an attractive product from the viewpoint of both the investors and issuers. Some of the salient advantages of zero-coupon bond are as follows:

1. First Ranking Claim on Shareholders

Bonds are debt, whereas stocks are equity. This is the most important distinction between the two securities. By purchasing equity (stock) an investor becomes an owner in a company. Ownership comes with voting rights and the right to share in future profits. By purchasing debt (bonds) an investor becomes a creditor to the company. The primary advantage of being a creditor is that the investor has a higher claim on assets than shareholders do: that is, in the case of bankruptcy, a bondholder will have the first charge on assets of the company (except specific charges).

2. Convertibility Option

The investor has the option to convert 20% of the bond at face value in a predetermined conversion strike price. The investor will execute the convertibility option assuming that the market value of ACI stock is higher than the conversion strike price on the conversion date.

3. Short Term Volatility of the Stock Market

Bonds are appropriate particularly when investors cannot tolerate the short-term volatility of the stock market. Bonds are perceived as more secured and

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DIRECTORS INVOLVEMENT WITH OTHER LISTED COMPANIES AS DIRECTORS

Sl No.	Name	Involved with other listed Companies as Director
01	Mr. M Anis Ud Dowlia	ACI Formulations Limited, Pioneer Insurance Co. Ltd
02	Dr Arif Dowlia	ACI Formulations Limited, Pioneer Insurance Co. Ltd., Mutual Trust Bank Ltd.
03	Mr. Syed Manzur Elahi	Apex Tannery Limited, Apex Adelco Footwear Ltd., Pioneer Insurance Co. Ltd., Mutual Trust Bank Ltd.
04	Ms. Naima Dowlia	ACI Formulations Limited
05	Mr. Walur Rahman Bhuiyan, OBE	BOC Bangladesh Limited
06	Ms. Shusmita Anis Salam	ACI Formulations Limited
07	Mr. Wazed Salam	ACI Formulations Limited
08	Ms. Sheema Abed Rahman	ACI Formulations Limited
09	Mr. Md. Humayun Kabir	BOC Bangladesh Limited, Apex Tannery Limited, Hedeberg Cement Bangladesh Limited, Glaxo SmithKline Bangladesh Limited, Renata Limited, Bangladesh Shilpa Rin Sangstha, Standard Bank Limited, British American Tobacco Bangladesh Limited, National Tea Company Limited, Aramit Group

BANKERS TO THE ISSUE

Sl No.	Name	One Bank Limited	Other Banks
1	ICB	Head Office (NSC Tower), Dhaka Chittagong Br, Agorad, Chittagong Rajshahi Br, Rajshahi Khulna Br, Khulna	Eastern Bank Limited Principal Branch, Dilkusha, Dhaka Mirpur Br, Dhaka Dharmond Br, Dhaka Gulshan Br, Dhaka Bashundhara Br, Dhaka Khatungk Br, Chittagong Narayanganj Br, Narayanganj
2	The City Bank Limited	Principal Branch, Dhaka B.B. Avenue Br, Dhaka Dharmond Br, Dhaka New Market Br, Dhaka Gulshan Br, Dhaka	Standard Bank Limited Principal Branch, Dhaka Foreign Exchange Br, Dhaka Topkina Road Br, Dhaka Imamganj Br, Dhaka Mirpur Br, Dhaka Dhaka Chamber Br, Motijheel, Dhaka Imamganj Br, Chittagong Agrabad Br, Chittagong Jabbar Br, Chittagong Uttara Br, Dhaka Gulshan Br-1, Dhaka Panthapat Br, Dhaka Islampur Br, Dhaka Banani Br, Dhaka Tongi Br, Gazipur Tanzbar Br, Narayanganj Comilla Br, Comilla Jubilee Road Br, Chittagong Agrabad Br, Chittagong Khatungk Br, Chittagong CDA Avenue Br, Chittagong O/A Nizampur Br, Chittagong Babuji Br, Chittagong Jabbar Br, Chittagong Panthapat Br, Chittagong Islampur Br, Chittagong Jubilee Road Br, Chittagong Narayanganj Br, Narayanganj
3	DBBL		