



ADVISORY REPORT

Analysis of Bangladesh Bank Valuation Guidelines

Transfer of shares and repatriation of sale proceeds in favour of
non-resident shareholders

Private limited companies and public limited companies not listed on stock exchanges

SOURCE

**Bangladesh Bank
FEID Circular No. 1**

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06 May 2018

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Structured navigation and page references for the advisory report.

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KEY FINDINGS

Executive Summary

Central finding

Bangladesh Bank accepts fair value for unlisted share transfers involving non-residents where the valuation is derived from latest audited financial statements and supported by a justified valuation method or a weighted combination of appropriate methods.

Regulatory objective

Rationalize and simplify valuation for transfers of unlisted shares involving non-residents and repatriation of sale proceeds.

Companies covered

Private limited companies and public limited companies not listed with stock exchanges.

Core valuation date

Fair value is anchored to the MoU date, subject to Bangladesh Bank approval where applicable.

Valuation approaches

Net asset value, market value and discounted cash flow / income approach.

Professional threshold

Professional valuation report is generally required where share transfer value exceeds BDT 1.00 million, subject to stated exceptions.

DCF caution

DCF is recognized but should not usually be used in isolation due to sensitivity to assumptions.

PART I

01

Regulatory Framework

Transaction coverage, core principles and compliance logic.

SECTION OVERVIEW

Transaction Coverage

Fair Value Principles

AD Compliance

PART I

Regulatory Context and Transaction Coverage

The circular was issued by the Foreign Exchange Investment Department of Bangladesh Bank and refers to the Guidelines for Foreign Exchange Transactions, 2018, Volume 1, Chapter 9. Its focus is the transfer of shares and repatriation of sale proceeds of shares held by non-residents in companies that are not listed with stock exchanges.

Transaction type	Regulatory treatment
Non-resident seller to resident buyer	Bangladesh Bank approval is required for determination of fair value before concluding the MoU. Repatriation or reinvestment may be accepted at the approved fair value.
Resident seller to non-resident buyer	Fair value is required when sale / transfer value exceeds BDT 1.00 million. The resident shareholder submits valuation report, MoU and Form-C to the Authorized Dealer.
Non-resident seller to non-resident buyer	Fair value requirement applies similarly. The target company arranges reporting through the Authorized Dealer within 14 days of transfer.

Research interpretation

The framework treats fair value not merely as a commercial negotiation point, but as a foreign exchange control safeguard. It links valuation to regulatory approval, reporting, repatriation and supporting evidence.

Core Principles of Fair Value Determination

Principle	Meaning in practice
Audited financial statements	Fair value is based on the latest audited financial statements of the target company.
Approach selection	The valuer may use all three approaches in a weighted calculation or select suitable approaches with justified grounds.
MoU date as anchor	For relevant transfers, fair value is determined as on the date of the MoU for share sale-purchase agreement.
Regulatory reassessment	Bangladesh Bank reserves the right to reassess value where it is not satisfied with the valuation.

PART II

02

Valuation Methodologies

Asset-based, market and DCF approaches translated into a practical advisory framework.

SECTION OVERVIEW

Asset-Based

Market Value

DCF / Income

PART II

Valuation Approaches

Annexure-A identifies three accepted valuation approaches. In advisory practice, the selected method should match the target company's economics, the reliability of available data and the purpose of the regulatory submission.

<p style="text-align: center;">01</p> <p style="text-align: center;">Asset-Based Approach</p> <p>Focuses on net asset value. Most useful when assets are a strong indicator of value or where earnings are weak.</p>	<p style="text-align: center;">02</p> <p style="text-align: center;">Market Value Approach</p> <p>Uses comparable company multiples such as P/E, P/B and P/S where peer data is available and reliable.</p>	<p style="text-align: center;">03</p> <p style="text-align: center;">DCF / Income Approach</p> <p>Discounts future cash flows and terminal value. Useful for technology, e-commerce, start-up and IP-driven companies, but highly assumption-sensitive.</p>
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Method selection logic

<p style="text-align: center;">1</p> <p>Identify company nature</p> <p>Asset-heavy, operating, financial service, start-up, e-commerce or IP-driven.</p>	<p style="text-align: center;">2</p> <p>Assess data reliability</p> <p>Audited financial statements, peer multiples, FCF forecasts and discount-rate evidence.</p>
<p style="text-align: center;">3</p> <p>Justify approach and weighting</p> <p>Use all three approaches or selected approaches with documented professional reasoning.</p>	<p style="text-align: center;">4</p> <p>Prepare regulatory evidence</p> <p>Align valuation date, MoU timing, AD review and Annexure-B documentation.</p>

PART II

Asset-Based and Market Value Approaches

4.1 Asset-Based Approach

The asset-based approach estimates fair value by reference to the company's net asset value. It is more useful where tangible assets, financial assets or investment assets represent a meaningful portion of enterprise value.

$$\text{Net Asset Value of Equity} = \text{Total Assets} - \text{Total Liabilities}$$

- Useful for resource firms, financial services firms, investment companies and small businesses with limited intangible assets.
- Should be considered where a company has continually suffered losses and earnings methods may not be appropriate.

4.2 Market Value Approach

The market value approach uses comparable-company trading multiples to infer value for an unlisted target company where peer data is available and relevant.

- Common multiples include P/E, P/B and P/S.
- Peers should generally share similar products or sector characteristics.
- Extreme ratios should be discarded; the circular refers to mean plus or minus 2.5 standard deviations.
- Market value should reflect one-year month-end average peer values before the MoU date.

Method selection note

P/B is relevant for financial services. P/S may be relevant for technology and start-up companies.

Assets normally not allowed for revaluation

Asset category	Restriction / treatment
Leasehold land and buildings	Leasehold lands and buildings on such lands may not be revalued where transfer rights or lease-period requirements are not satisfied.
Plant and machinery	Second-hand assets, or assets with remaining economic life below the stated threshold, may not qualify.
Tin-shed buildings	Tin-shed buildings and buildings with insufficient remaining economic life are excluded.
Vehicles and intangibles	Vehicles, furniture and fittings, office equipment, loose tools and intangible assets are not allowed for revaluation.

PART II

Discounted Cash Flow / Income Approach

The discounted cash flow method estimates value by discounting forecast future free cash flows and terminal value. The circular recognizes DCF but cautions that it is highly sensitive to assumptions and should not generally be used in isolation.

$$\text{Enterprise Value} = \text{PV of Forecast Free Cash Flows} + \text{PV of Terminal Value}$$

$$\text{Terminal Value} = \text{Terminal FCF} \times (1 + g) / (r - g)$$

where r = discount rate and g = average of historical and forecasted growth rate

DCF element	Research interpretation
Key inputs	Free cash flow, terminal value and discount rate.
Forecast horizon	The source guidance uses a five-year forecast logic together with historical growth pattern analysis.
Growth rate	The growth rate should make economic sense and be supported by historical and forecasted cash flow growth.
Discount rate	WACC based on latest audited financial statements or the 20-year Bangladesh Government Treasury Bond yield on MoU date, whichever is higher.
Best use cases	Technology, e-commerce, start-up and intellectual-property-based companies where future cash flows may better capture value.

Practical implication

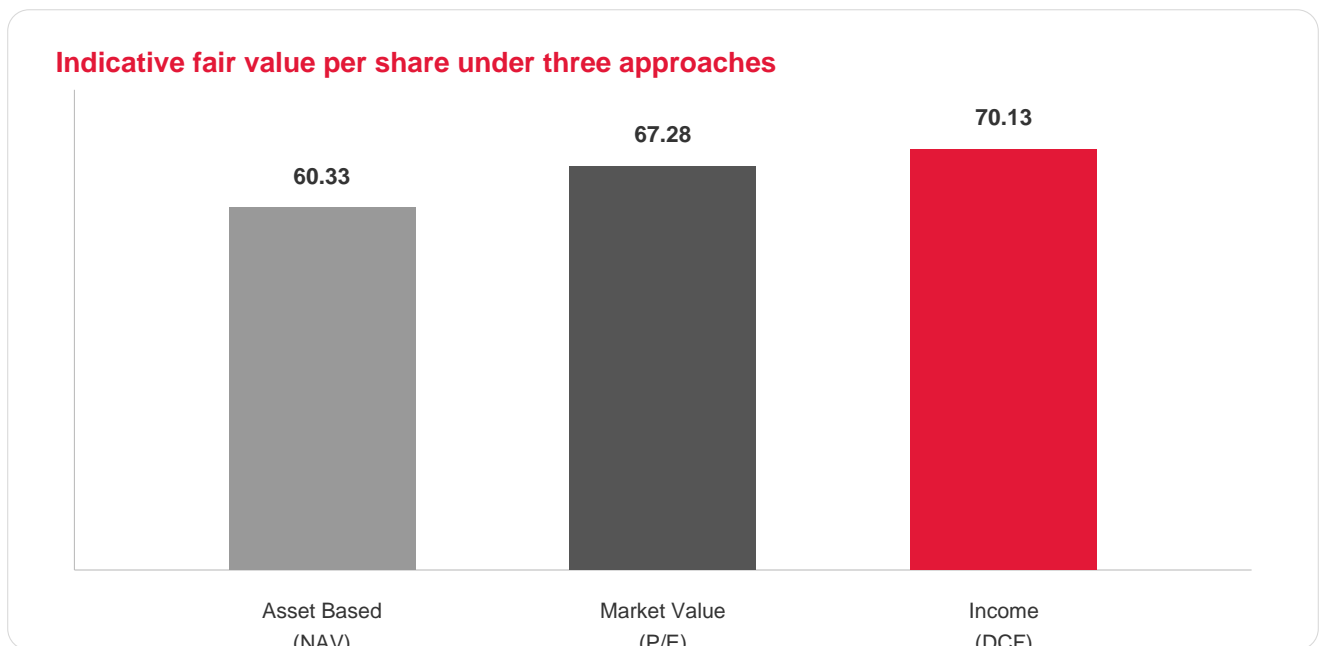
DCF assumptions require careful scrutiny. In advisory work, DCF should be supported by historical performance, industry outlook, capital expenditure plans, working capital assumptions and a defensible discount rate.

CASE ANALYSIS

Comparative Findings from the Illustrative Valuation Case

The circular includes an illustrative company valuation applying all three approaches. The values produced by the sample calculation are summarized below. These figures are not a valuation of any real company; they demonstrate methodology.

Approach	Computation basis	Fair value per share (BDT)
Asset-Based Approach	Net Asset Value	60.33
Market Value Approach	Average EPS multiplied by P/E multiple	67.28
Income Approach	Discounted cash flow after net debt adjustment	70.13



Analytical observation

The three sample values fall within a relatively narrow range of BDT 60.33 to BDT 70.13 per share. In practical valuation work, the final fair value would require professional judgment on weighting, reliability of inputs, company nature and regulatory acceptability.

PART III

03

Professional Responsibilities and Transaction Process

Valuer requirements, documentation sequence and stakeholder implications.

SECTION OVERVIEW

Valuer Eligibility

Process Steps

Stakeholders

PART III

Role, Eligibility and Responsibilities of Valuers

The circular places meaningful responsibility on the professional valuer. A valuation is not treated as a mechanical calculation; it must be a defensible professional opinion supported by analysis and compliant with ethical standards.

Requirement	Research interpretation
Eligible professionals	Merchant Banker licensed by BSEC or a Chartered Accountant experienced in company valuation and listed by Bangladesh Bank and/or BSEC for auditing banks, financial institutions and listed companies.
Independence	The valuer must be independent from the target company, its directors, auditors and other stakeholders.
Ethical conduct	The valuer must maintain integrity, objectivity, competence, confidentiality and professional behavior.
Reporting standard	The valuation report and fairness opinion should confirm that the valuation has followed international best practices.
Regulatory review	Bangladesh Bank may reassess the valuation if not satisfied with the appropriateness of the report.

Professional valuation report exceptions

Exception stated in circular	Practical effect
Applied repatriation value does not exceed BDT 1.00 million	Professional valuation report is not mandatory; Bangladesh Bank may work out fair value based on audited financial statements and supporting documents.
Net asset value is higher than deal value	Professional valuation report is not mandatory under the stated exception.

PART III

Procedural and Documentation Framework

The framework requires coordination among the seller, buyer, target company, Authorized Dealer, professional valuer and Bangladesh Bank. For non-resident-to-resident transfers, the MoU is to be concluded after receipt of Bangladesh Bank approval regarding determination of fair value.

- 1 Collect latest audited financial statements and corporate records.
- 2 Determine whether a professional valuation report is mandatory.
- 3 Engage an eligible and independent valuer where required.
- 4 Apply suitable valuation approaches with full justification.
- 5 Submit the request through the Authorized Dealer with Annexure-B documents.
- 6 Obtain Bangladesh Bank approval where applicable before concluding the MoU.
- 7 Complete share transfer and reporting within prescribed timelines.

Practical Implications for Stakeholders

Stakeholder	Implication
Non-resident shareholders	Exit proceeds are linked to regulatory acceptance of fair value. Repatriation planning should begin before signing transaction documents.
Resident purchasers	Purchase price, MoU timing and documentation must align with Bangladesh Bank expectations to avoid approval or remittance delays.
Target companies	Audited financial statements, RJSC records, tax records and foreign exchange documentation become central to transaction readiness.
Authorized Dealers	ADs act as gatekeepers and must review compliance before forwarding requests or reporting transfers.
Professional valuers	Valuers must demonstrate method suitability, data reliability, ethical independence and professional reasoning.

RESEARCH CONCLUSION

Conclusion

The Bangladesh Bank framework for unlisted share valuation involving non-residents is best understood as a hybrid of valuation discipline and foreign exchange compliance. The circular recognizes that different companies require different valuation lenses. Asset-heavy or loss-making businesses may justify asset-based valuation; companies with comparable market data may be assessed by market multiples; and technology, start-up, e-commerce or intellectual-property-based businesses may require income-based analysis.

The overall research conclusion is that regulatory acceptability depends not only on the numerical output, but also on process quality. This includes audited financial statements, competent valuation, independence, justified assumptions, clear documentation, Authorized Dealer review and timely reporting. For transaction parties, the fair value exercise should therefore be treated as a regulated transaction process rather than a post-agreement formality.

Final research conclusion

A robust valuation submission should be methodologically justified, document-heavy, independently prepared and aligned with the transaction timing prescribed by Bangladesh Bank.

Advisory takeaways

- Begin valuation and document-room preparation before MoU execution.
- Select valuation approaches based on company nature, available evidence and reliability of inputs.
- Ensure valuer independence, professional competence and full explanation of assumptions.
- Treat Authorized Dealer review and Bangladesh Bank approval as part of transaction execution, not a post-closing formality.

PART IV

04

Appendices

Research checklist and supporting documents for repatriation applications.

SECTION OVERVIEW

Checklist

Required Documents

Source Reference

SUPPORTING CHECKLISTS

Appendices

Appendix A: Research Checklist for Valuation Assignments

Checklist area	Evidence / workpaper requirement
Company profile	Nature of business, industry, product/service category, stage of development, asset intensity and profitability profile.
Financial base	Latest audited financial statements and, where relevant, five years of audited reports and financial statements.
Valuation date	MoU date or relevant regulatory valuation date.
Approach selection memo	Reason for using one, two or all three valuation approaches; rationale for weights if weighted average is applied.
Market / DCF inputs	Peer group, sector multiples, historical and forecast FCF, terminal value, WACC / BGTB evidence.
Independence evidence	Confirmation that the valuer is independent from the company, directors, auditors and stakeholders.

Appendix B: Required Documents for Repatriation Applications

- Share valuation report supported by audited reports and financial statements for the immediate past five years.
- Certificate of Incorporation.
- Memorandum and Articles of Association.
- Registration with BIDA / BEPZA / BEZA / Bangladesh Hi-Tech Park Authority, as applicable.
- Annual Summary of Share Capital and list of shareholders and directors (Schedule-X).
- Particulars of Directors, Manager and Managing Agents and changes therein (Form XII).
- Return of Allotment (Form XV).
- Instrument of Transfer of Shares (Form 117).
- Encashment Certificate supporting shares issued or transferred against freely convertible foreign exchange.
- Board Resolution approving transfer of shares.
- Memorandum of Understanding for share sale-purchase agreement.
- WACC calculation or 20-year BGTB yield evidence as on the MoU date.
- Tax clearance certificate, CIB report and relevant GFET intimation.

REFERENCE

Source Reference and Use of Original Circular

Bangladesh Bank, Foreign Exchange Investment Department. FEID Circular No. 1, dated May 06, 2018. Subject: Transfer of shares and repatriation of sale proceeds of shares in favor of non-resident in private/public limited companies not listed with stock exchanges.

The circular includes Annexure-A, titled "Indicative guidelines on determination of fair value of shares of unlisted company," and Annexure-B, listing required documents for applications involving repatriation of sale proceeds of non-resident-owned shares.

Use of original source

For legal, regulatory or submission purposes, users should review the original Bangladesh Bank circular and verify whether subsequent amendments, circulars or regulatory practices apply.

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