

FORM-5

Project's viability tests

In appraising a project -

(1) the highest importance shall be accorded to the appraisal of the sponsors /entrepreneurs, which shall include inter alia

- a. their educational qualifications in the relevant discipline;
- b. their knowledge in the technology/process involved;
- c. their skill in marketing of the products/services in question;
- d. their proven track record in implementing and operating any project;
- e. their track record in financial conduct;
- f. their track record of relationship with any Bank/DFI;

(2) the project shall be technically sound and technologically appropriate for Bangladesh and environment friendly;

(3) the project shall be financially feasible and offer an Internal Rate of Return (IRR) of not less than 15% (fifteen percent);

(4) the project shall generally generate a minimum of 15% (fifteen percent) per annum after tax return on its paid-up capital from the 3rd year of operation;

(5) where the project is also financed by loan (s), its projected debt service coverage ratio shall not be less than 1.50 times and its current ratio not below 1.5 : 1, and its fixed assets coverage ratio (during the currency of such loan(s)) shall be at least 1.50 times;

(6) in the case of the project at (6) above, the sponsors' stakes therein i.e. their equity contribution thereto may vary corresponding to –

(a) the degree of risk inherent in the project; and

(b) the known debt-equity ratios for the successful units in the same sector; and

(7) Any other relevant aspects of the project such as SOWT (strengths, weaknesses, opportunities and threats) analysis, sensitivity analysis, etc.

Contact Address:

Equity & Entrepreneurship Fund Division
Investment Corporation of Bangladesh,
Head Office,
35/C, Kashpia Plaza, Nayapaltan
VIP Road, Dhaka-1000
Phone : 9341973, 9351017

Note: Please use additional sheets/papers, if necessary.