

FORTHCOMING IPO

Familytex (BD) Ltd.

IPO Information	
Issue Price (BDT)	10
Face Value (BDT)	10
Authorized Capital (BDT Million)	1400
Paid Up Capital (Prior to IPO) (BDT Million)	1050.623
Paid Up Capital (Post IPO) (BDT Million)	1390.623
Market Lot (Shares)	500
Market Category	N
Manager to the Issue	Banco Finance And Investment Limited
Public Offer (Shares in Million)	34
Issue Size (BDT Million)	340
Subscription Open	07-Apr-13
Subscription Close	11-Apr-13
NRB Subscription Close	20-Apr-13
Auditor	Shiraz Khan Bashak & Co.

Source: IPO Prospectus

Corporate Profile & Business Model

According to the company prospectus submitted to SEC, FAMILYTEX (BD) LTD. is a pioneer and well established 100% Export Oriented joint venture garment factory in Bangladesh. It is the Manufacturer & Exporter of all kinds of Knit & Woven Garments from CEPZ, Chittagong, Bangladesh. The Company incorporated on July 27, 2003 as a Private Limited Company and converted into Public Limited Company on December 06, 2011 and started its commercial operation on August 1, 2006 with vision to be an exemplary garments manufacturer and exporter of Fashion Apparel as judged by international norms of Professionalism, Quality and Systems.

Use of IPO Proceeds

Net Proceeds from initial public offering (IPO) will be used for repayment of high interest bearing loan to boost the profitability, cash flows and solvency.

The Company will utilize the net proceeds of public offer as per following schedule:

Use of Proceeds from IPO		
Utilization of Fund	Amount (BDT Million)	Projected Date/ Period for Repayment of Loan
Repayment of Long Term Bank Loan	332.121	Within 15 days after getting IPO Money

Source: IPO Prospectus

Production Capacity

Production Capacity and Current Utilization		
Yearly Production Capacity (Pieces)	Current Utilization Capacity (Pieces)	Capacity Utilization
3400000 pieces	2631578 pieces	77.40%

Source: IPO Prospectus

Shareholding Pattern of Familytex (BD) Ltd:

Shareholding of 5% or more of the Company's Securities				
Name of the Shareholder	Position	Number of Shares	Amount (BDT)	Percentage (%)
Mohammad Morshed	Managing Director	238,190,000	2,381,900,000	22.671
Meraj-E-Mostafa	Director	10,000,000	100,000,000	9.518
Jun Kyung Won	Sponsor	20,975,000	209,750,000	19.964
M/S Orion Capital Ltd.	Shareholder	6,750,000	67,500,000	6.425

Source: IPO Prospectus

Principal Products & Services

Principal Products & Services	
Woven Products	Knit Products
All Types of Short & Long Pant	Fleece Top & Bottom
Jacket/Vest	Children Dress
Swimtrunk	Sports Wears
Denim Pant	Wash & Non Wash

Source: IPO Prospectus

Major Competitors of Familytex (BD) Ltd:

- Sqaure Fashions
- Desh Garments Ltd
- ABC Garments Ltd.
- Viyallatex Group
- Al-Muslim Garments ltd.

Source: IPO Prospectus

Industry Structure

The growth of our textile sector is underway as:

- The minimum wages in China has been raised and the Chinese currency is likely to appreciate against the US\$. People will look for a cheaper location for production to remain competitive in the world market.
- Bangladesh will gain from the increased production costs of China and Turkey and will also gain from the political unrest in Pakistan.
- Favorable labor supply and Skilled labor force.
- Shorter Lead time and dense production facility.

Industry Risk Factors

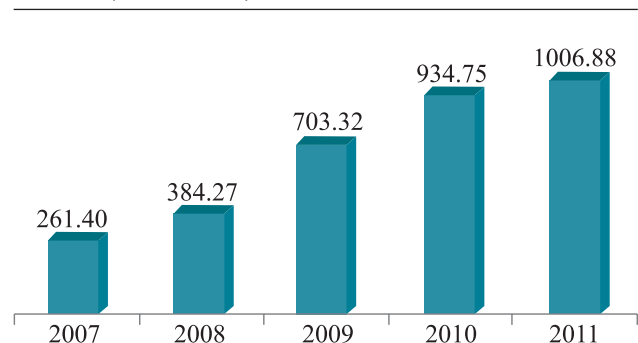
- High political uncertainty.
- Labor strike and minimal workplace safety.
- Sluggish economy in global market will dampen overall demand.

Performance Analysis

Selling Price growth drives higher revenue growth

In the year 2011 Production cost per unit decreased compared to the year 2010 due to lower raw materials (Chemicals and Yarn) consumed. But on the same period the export volume and unit price had increased. Hence, sales revenue had increased 7.71%, (from BDT 934.7 million to BDT 1006.9 million) compared to cost of goods sold of 2.18% (from BDT 791.4 million to BDT 808.6 million).

Revenue (BDT Million)

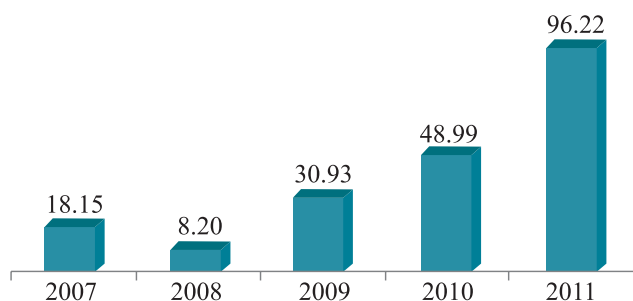


Source: IPO Prospectus

Increased Sales Revenue and Net Operating Income growth drives Profit Growth

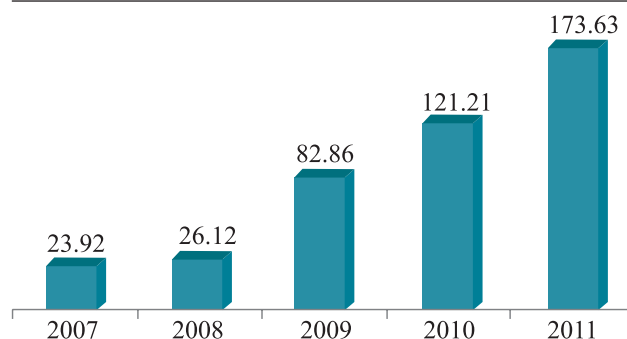
The net profit after tax had increased by 96% over one year period. The underlying reason of this significant increase was due to the increase of sales revenue growth of 7.71% and the significant increase of net operating income i.e. from BDT. 121.212 million to BDT 173.631 million in the same period due to lower growth of cost of goods sold as a result of lower raw materials consumed. The reduction of cost of goods sold and other operating expenses compare to sales growth also contributed to higher net profit margin.

Net Profit (BDT Million)



Source: IPO Prospectus

Operating Profit (BDT Million)



Source: IPO Prospectus

Income Statement Position

Income Statement Position (BDT Million)					
	2007	2008	2009	2010	2011
Export	261.39	384.27	703.31	934.75	1006.87
Less: Cost of goods sold	228.47	345.42	604.21	791.36	808.68
Gross Profit	32.91	38.84	99.10	143.38	198.19
Less operating expenses	8.88	12.59	16.09	22.01	24.35
Operation income	24.02	26.24	83.00	121.37	173.83
Less: Welfare Expenses	0.11	0.13	0.14	0.16	0.20
Net operating Income	23.91	26.11	82.86	121.21	173.63
Financial expenses	6.13	18.18	52.50	73.44	78.25
Net operating profit	17.78	7.93	30.35	47.76	95.37
Add: Other non-operation income	0.36	0.26	0.57	1.22	0.84
Net profit before tax	18.14	8.19	30.93	48.99	96.21
Profit after tax	18.14	8.19	30.93	48.99	96.21
EPS (BDT)	3.02	1.37	5.16	8.17	0.92

Common Size Income Statements

	2007	2008	2009	2010	2011
Export	100.00%	100.00%	100.00%	100.00%	100.00%
Less: Cost of goods sold	87.41%	89.89%	85.91%	84.66%	80.32%
Gross Profit	12.59%	10.11%	14.09%	15.34%	19.68%
Less operating expenses	3.40%	3.28%	2.29%	2.35%	2.42%
Operation income	9.19%	6.83%	11.80%	12.98%	17.26%
Less: Welfare Expenses	0.04%	0.03%	0.02%	0.02%	0.02%
Net operating Income	9.15%	6.80%	11.78%	12.97%	17.24%
Financial expenses	2.35%	4.73%	7.47%	7.86%	7.77%
Net operating profit	6.80%	2.06%	4.32%	5.11%	9.47%
Add: Other non-operation income	0.14%	0.07%	0.08%	0.13%	0.08%
Net profit before tax	6.94%	2.13%	4.40%	5.24%	9.56%
Profit after tax	6.94%	2.13%	4.40%	5.24%	9.56%

Source: IPO Prospectus

Key Ratios

Year	2008	2009	2010	2011
Profitability Ratios				
Gross Profit Margin	10.11%	14.09%	15.34%	19.68%
Net Profit Margin	2.13%	4.40%	5.24%	9.56%
ROAE	2.84%	4.38%	4.88%	8.20%
ROAA	1.25%	2.52%	3.11%	5.43%
Solvency Ratios				
Debt to Equity	1.04	0.52	0.42	0.36
Debt to Total Assets	0.50	0.34	0.27	0.25
Financial Leverage	2.09	1.54	1.60	1.43
Activity Ratios				
Receivables Turnover	4.78	4.77	4.50	3.37
Inventory Turnover	16.87	7.46	2.75	1.84
Total Asset Turnover	0.58	0.57	0.59	0.57

Source: IPO Prospectus

Analyst Observation

According to the latest audited financial statements, the fully diluted post IPO EPS stands at 0.69 BDT. Net Asset Value per share of this company considering post IPO share outstanding stands at 8.93 BDT. The company will utilize its IPO proceeds to repay its long term loan which will reduce the financial leverage of this company.

The company has shown 96% grown in net profit which was not fully backed by sales growth. Lower cost of goods sold due to lower raw materials consumed (Yarn and Chemical) in this year boosted operating profit growth in 2011.

Activity ratios have been deteriorated slightly in 2011. ROAE has been considerable and Solvency ratios are improving and expected to improve in future as the company will repay its long term debt through IPO proceeds.

Forward (Annualized) P/E Multiple of listed textile companies

Company	Forward P/E
Saiham Textile Limited	7.9
Square Textile Limited	14.26
H.R Textile Limited	11.1
ZahinTex Industries Limited	10.79
CMC Kamal Limited	15.4

Forward P/E of listed companies has been calculated by using stock price as of 07th April, 2013 and by annualizing latest quarterly EPS.

Source: LBSL Research

Having analyzed the company, we are providing below a scenario analysis of this stock valuation which will help the investors take their decision.

Price (BDT)	EPS (BDT) (considering post-IPO no of shares outstanding)	P/E
15	0.69	21.74
20	0.69	28.99
10	0.69	14.49

Source: LBSL Research

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