

Analyst

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**Table 1: IPO Snapshot**

IPO Size (BDT mn)	720.0
IPO Size (Shares mn)	20.0
Face Value Per Share (BDT)	10.0
Offer Price Per Share (BDT)	36.0
Year End	June
Sector	Miscellaneous
Revenue in 2014 (BDT mn)	2641.6
Net Profit in 2014 (BDT mn)	298.2
Latest EPS (Post IPO) (BDT)	3.73

Source: LBSL Research and Company Prospectus

## Company Overview and Business Model

Aman Feed Limited (AMANFEED) is a poultry and fish feed manufacturing industry established in 2006. The Company is primarily engaged in manufacturing and distribution of high quality Poultry Feed, Fish Feed, Shrimp Feed and Cattle Feed. At present, the production capacity of the Company is 105,000 MT per year. The Company reaches its customers or consumers throughout the country by its more than 200 dealers. The Registered office of the Company is situated in Motijheel, Dhaka and the factory is located at Ratan Kawak, Ullapara, Sirajgonj on a total land area of 284.00 decimals of its own. The Corporate Office of the Company is located at Sector - 6, Uttara, Dhaka

## Principal Products and Services

AMANFEED produces 38 types of feed for fish, poultry, shrimp and cattle. The product mix is flexible and is determined by the management of the company based on the demand of the market. Two of the products generate 90% of the total revenue of the company. Revenue of the company consists of the following product segmentation:

**Table 2: Description of Products**

Product Segmentation	Revenue 2014 (BDT mn)	Percentage of Sales
Broiler Feed	1,349.7	51.1%
Layer Feed	1,053.3	39.9%
Fish Feed	155.2	5.9%
Cattle Feed	83.5	3.2%
<b>Total</b>	<b>2,641.6</b>	<b>100.0%</b>

Source: Company Prospectus

**Table 3: Annual Production Capacity of Re-rolling Unit (in MT)**

Particulars	2013	2014 After Expansion	
Installed Capacity	105,000	105,000	240,000
Actual Production	83,339	86,378	86,378
Capacity Utilization (%)	79.4%	82.3%	36.0%*

\*Calculated based on the actual production of 2014. The expansion is expected to be completed by November 2016.

Source: LBSL Research and Company Prospectus

**Table 4: Capital Structure of the Company**

Particulars	Amount (BDT mn)
Paid-up capital (prior to IPO)	600
Capital to be issued as IPO	200
Paid-up capital (after IPO)	800

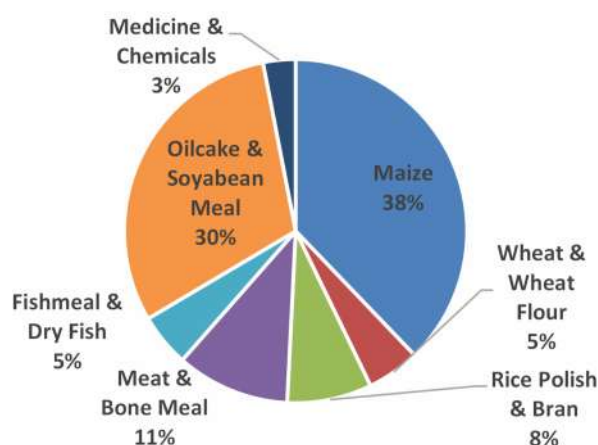
Source: Company Prospectus

**Table 5: Principal Suppliers of Raw Material**

Principal Suppliers	Raw Materials	Country of Origin
Sharuda Traders	Soya Bean Oil	Bangladesh
ASP Enterprise,	Maize	Bangladesh
Rahman & Brothers	Meat & Bone Meal	Bangladesh
Ismail Enterprise	Fishmeal & Dry Fish	Bangladesh
Kustia Traders	Rice Polish & Wheat Flour	Bangladesh
Adorsho Enterprise	Rice Polish	Bangladesh
G. S Oil Ltd.	Maize & Soya Bean	India
Ruchi Soya Ind.	Soya Bean Meal	India
V.K. Udyog Ltd.,	Soya Bean Meal	India
Phoenix Overseas	Maize & Rapeseed	India
Krishna Traders	Maize & Rapeseed	India
Cargil India Pvt. Ltd.	Maize	India

Source: Company Prospectus

**Chart 1: Raw materials composition**



Source: Company Prospectus

**Table 6: Use of IPO Proceeds & Implementation Schedule**

Particulars	Implementation Schedule	BDT (mn)
Expansion of business	Within 15 months after receiving IPO Proceeds	
Purchase new land for construction of Silo's	Within 2 months after receiving IPO Proceeds	40.0
Construction of Floating Feed plant	Within 12 months after receiving IPO Proceeds	50.0
Construction cost of Silo's	Within 12 months after receiving IPO Proceeds	85.0
Purchase of Plant and Machineries	Within 9 months after receiving IPO Proceeds	175.0
Repayment of long term loan	As soon as the IPO Proceeds are available	50.5
Working Capital	As soon as the IPO Proceeds are available	299.2
IPO Expenses	When required	20.3
<b>Total</b>		<b>720.0</b>

Source: Company Prospectus

**Table 7: Source and Requirement of Utilities**

Utilities	Requirement	Source
Water	75,000 Liters/Day	Deep-tube well
Power	1,300 KW/Day	PDB/REB
Fuel & Lubricant		Local suppliers

Source: Company Prospectus

### Cost of the expansion project

The estimated cost of the expansion project is BDT 483.2 mn. After the expansion, the production capacity of the company will increase from 350 ton per day to 800 ton per day.

**Table 8: Breakdown of the Project Cost**

Particulars	Estimated Cost to be Incurred (Amount in BDT)
Land	75.0
Building & Other Construction	144.0
Machinery & Equipment's	262.0
Other Costs	2.2
<b>Fixed Cost of the Project</b>	<b>483.2</b>

Source: Company Prospectus

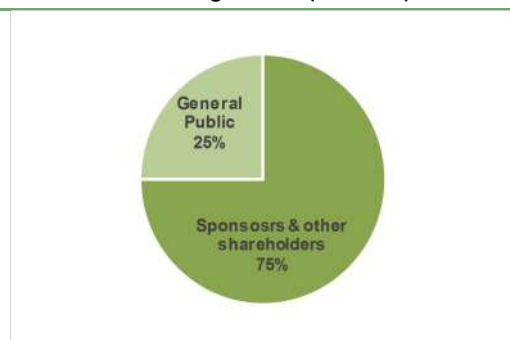
### Name of the customers who purchase 10% or more of the Company's products

There is no single customer who purchases more than 10% of the products of the company.

### Seasonality

Demand for feed varies seasonally. Demand for fish feed and poultry feed decreases around 30% during the period from November to February. But demand for the feed increases during the period from July to September by 50%. Natural disasters, breaking out of diseases have also direct impact on the growth and profitability of the business.

**Chart 2: Shareholding Pattern (Post IPO)**



Source: LBSL Research and Company Prospectus

### Lock-in Period

All the shares held by Directors, Sponsors and other shareholders ( total number of shares 60 mn) shall be subject to a lock-in period of three years from the date of issuance of publication of Abridged Version of Prospectus i.e. April 29, 2015.

**Table 9: Comparison with peer company**

<b>Particulars</b>	<b>National Feed Mills Ltd.</b>	<b>Aman Feed Limited</b>
Product	Feed for poultry, shrimp, fishery & cattle	Feed for poultry, fishery & cattle
Current Capacity (tons)	86,400	105,000
Current capacity utilization	51.1%	82.3%
Capacity after expansion (tons)	110,400	240,000
Revenue (BDT mn)	1,511	2,642
Gross Margin	12.7%	21.4%
Operating Profit Margin	10.2%	18.2%
Net Profit Margin	4.9%	11.3%
ROAE	5.8%	17.6%
ROAA	5.8%	9.8%
Trailing P/E	20.2	9.7*
NAV per share	14.4	40.0**

**Note:**

Calculated based on last audited financial statements.

\*Calculated based on Post IPO adjusted EPS and IPO value of BDT 36

\*\*Calculated based on Post IPO number of shares

Source: LBSL Research and Company Prospectus

## Business Highlights

- **Consistent growth came to a halt:** The revenue of the company grew by 17.4%, 16.9%, and 24.8% during 2011, 2012, 2013 respectively. However, such astonishing growth in revenue seized in 2014 to 4.2%. The revenue growth of the company slowed down since the company seemed to have reached its peak in terms of capacity utilization. In 2014, AMANFEED utilized 82.3% of its capacity compared to 79.4% in 2013. Further efficiency in production may not be achievable as feed production process requires more idle time than other production processes to change the dices manually, alter the type of the product, and balance proper combination of raw materials.
- **Gross margin declined:** Gross Margin of the company usually ranged from 22.6% to 23.1% during 2010-2014. However, such margin declined to 21.4% since the price of maize, the main raw material to produce feed, increased by 27.3%. Profitability of the company is related to the price of maize and other raw materials in international market since most of the raw materials are imported to ensure better quality of the feed.
- **Expansion of capacity:** With the fund received from IPO, AMANFEED will expand its production capacity by 1.28 times to 240,000. As the company has already achieved a high rate of capacity utilization, the expansion of the capacity is expected ensure company's top line growth. We believe that the expansion project will be completed by November 2016.
- **High requirement of working capital decreased solvency:** AMANFEED has a very high requirement of working capital because of the nature of its business. Since the profitability largely depends on the price of raw materials in international market, the company increases its inventory level when the price of raw materials is cheaper. In 2014, AMANFEED had an inventory of 155 days compared to 117 days in 2011. Thus, the operating cycle became prolonged for long inventory processing period not only to support expanded capacity but also to enhance the credit terms by delaying in receivable collection period. As of 2014, Days of Working Capital stood at 315 days compared to 255 days in 2012. Such high requirement of working capital increased company's borrowing resulting in increase in financial expenses. As a result, interest coverage ratio of the company declined

## Financials

**Table 10: Consolidated Income Statement Position (Amounts in BDT mn)**

Particulars	May-10	Jun-11	Jun-12	Jun-13	Jun-14
<b>Sales</b>	1,481.4	1,738.7	2,032.4	2,536.3	2,641.6
Cost of Goods Sold	1,141.3	1,336.4	1,573.3	1,949.5	2,076.8
<b>Gross Profit</b>	<b>340.1</b>	<b>402.3</b>	<b>459.1</b>	<b>586.8</b>	<b>564.8</b>
<b>Operating Expenses</b>					
Administrative Expenses	13.6	14.9	20.7	34.7	32.0
Selling and Distribution Expenses	24.2	26.2	28.2	50.9	52.0
<b>Operating Profit</b>	<b>302.3</b>	<b>361.2</b>	<b>410.2</b>	<b>501.1</b>	<b>480.8</b>
Financial Expenses	61.8	61.9	75.3	177.0	160.0
Other Income	0.1	0.3	0.0	0.9	0.0
<b>Profit Before Contribution to WPPF</b>	<b>240.6</b>	<b>299.5</b>	<b>334.9</b>	<b>325.0</b>	<b>320.8</b>
Contribution to WPPF	0.0	15.0	15.9	15.5	15.3
<b>Profit Before Tax</b>	<b>240.6</b>	<b>284.5</b>	<b>319.0</b>	<b>309.5</b>	<b>305.5</b>
Tax Expenses	0.0	14.2	20.6	15.7	7.3
<b>Net Profit After Tax</b>	<b>240.6</b>	<b>270.3</b>	<b>298.4</b>	<b>293.8</b>	<b>298.2</b>

Source: LBSL Research and Company Prospectus

**Table 11: Consolidated Balance Sheet Position (Amounts in BDT mn)**

Particulars	May-10	Jun-11	Jun-12	Jun-13	Jun-14
<b>ASSETS</b>					
Property, Plant and Equipment	197.5	198.2	522.6	668.1	821.7
Capital Work in Progress	0.0	143.0	0.0	166.2	0.0
Investment	33.3	57.4	57.6		
<b>Non Current Assets</b>	<b>230.8</b>	<b>398.6</b>	<b>580.2</b>	<b>834.4</b>	<b>821.7</b>
Inventories	357.5	503.6	874.4	926.7	951.7
Accounts Receivable	541.7	569.4	609.3	995.8	1,243.0
Advances, Deposits & Pre-Payments	0.5	35.5	35.5	53.6	137.2
Cash & Cash Equivalents	3.8	11.0	19.8	95.1	44.6
<b>Current Assets</b>	<b>903.5</b>	<b>1119.5</b>	<b>1539.0</b>	<b>2,071.1</b>	<b>2,376.5</b>
<b>Total Assets</b>	<b>1134.3</b>	<b>1518.1</b>	<b>2119.2</b>	<b>2,905.4</b>	<b>3,198.2</b>
<b>EQUITIES &amp; LIABILITIES</b>					
Share Capital	2.0	2.0	600.0	600.0	600.0
Retained Earnings	572.1	842.4	542.8	836.6	1,134.8
Revaluation Surplus	0.0	0.0	0.0	111.5	111.5
<b>Shareholders' Equity</b>	<b>574.1</b>	<b>844.4</b>	<b>1142.8</b>	<b>1,548.1</b>	<b>1,846.3</b>
Long Term Loan	13.2	0.0	123.2	95.4	50.5
Lease Obligation	0.0	2.4	1.2	0.1	0.0
Deferred Tax Liability	0.0	0.6	4.3	26.5	25.9
<b>Non Current Liabilities</b>	<b>13.2</b>	<b>3.0</b>	<b>128.7</b>	<b>122.0</b>	<b>76.4</b>
Short Term Loan	522.1	591.6	773.2	1,150.3	1,198.3
Accounts Payable	23.3	63.6	30.9	34.4	24.3
Liabilities for Expenses & provisions	1.7	1.7	18.3	18.8	21.0
Provision for Current Tax	0.0	13.6	25.2	31.8	31.9
<b>Current Liabilities</b>	<b>547.0</b>	<b>670.6</b>	<b>847.7</b>	<b>1,235.4</b>	<b>1,275.6</b>
<b>Total Equities and Liabilities</b>	<b>1134.3</b>	<b>1518.1</b>	<b>2119.2</b>	<b>2,905.4</b>	<b>3,198.2</b>

Source: Company Prospectus

**Table 12: Ratios**

Particulars	May-10	Jun-11	Jun-12	Jun-13	Jun-14
Gross Margin	23.0%	23.1%	22.6%	23.1%	21.4%
Operating Profit Margin	20.4%	20.8%	20.2%	19.8%	18.2%
Net Profit Margin	16.2%	15.5%	14.7%	11.6%	11.3%
ROAE	41.9%	19.0%	30.0%	19.0%	17.6%
ROAA	21.2%	10.1%	16.4%	10.1%	9.8%
Debt to Equity	0.93	0.70	0.79	0.80	0.68
Days Sales Outstanding		117	106	115	155
Days Sales Inventory		118	160	169	165
Days Payable Outstanding		12	11	6	5
Days Working Capital		222	255	278	315
Interest Coverage	4.9	5.6	5.2	2.7	2.9

Source: LBSL Research and Company Prospectus

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**Recommendation Interpretation**

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Overweight	Stock is expected to give positive return over 20% in one year horizon.
Add	Stock expected to give a return of 0-10%+ in one year horizon
Neutral	Current price of the stock reasonably reflects fundamental value.
Reduce	Stock is expected to fall up to 10% in one year horizon.
Underweight	Stock is expected to fall by more than 10% in one year horizon.

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