

Analyst

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Table 1: IPO Snapshot

IPO Size (BDT mn)	562.50
IPO Size (Shares mn)	15.04
Face Value Per Share (BDT)	10.00
Offer Price Per Share (BDT)	35.00
Year End	June
Sector	IT
Revenue in 2015 (BDT mn)	662.95
Net Profit in 2015 (BDT mn)	120.08
Latest EPS (Post IPO) (FY15)	2.26
Issue Date of Prospectus	July 11, 2017
Subscription Open Date	August 6, 2017
Subscription Close Date	August 16, 2017

Source: LBSL Research and Company Prospectus

Table 2: Principal Suppliers of Raw Material

Name of Principal Suppliers	Type of Raw Material
aamra technologies ltd	IIG Bandwidth, Equipment
Fiber @ Home Ltd	Fiber Lease Rent (Under Ground Cable)
Summit Communications Ltd.	Fiber Lease Rent (Under Ground Cable)
Grameenphone Ltd.	E1 Link

Source: LBSL Research and Company Prospectus

Table 3: Capital Structure of the Company

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	380.00
Capital to be issued as IPO	150.41
Paid-up Capital (after IPO)	530.41

Source: LBSL Research and Company Prospectus

Company Overview

Aamra Networks Limited (ANL) is an IT company involved in Leased Bandwidth distribution, IAAS (Infrastructure as a Service), SAAS (Software as a Service) and IP enabled value added services. ANL offers a suite of high speed interconnected redundant backbones with round the clock proactive monitoring. It is one of the first licensed Internet Service Provider (ISP) from the private sector of Bangladesh. It was formerly known as Global Online Services Limited and changed its name to Aamra Networks Limited on December 31, 2007. ANL was converted into a Public Limited Company by shares on May 08, 2013.

Industry Outlook

IT industry in Bangladesh has seen strong growth over past three decades and it is now considered to be among the next high prospect industries of the country. The software and information technology enabled services (ITES) segment of this industry is one of the most promising sectors of Bangladesh, with several growth drivers like skilled personnel, collaborative environment with the government etc. Government has taken various initiatives to achieve the target like tax holidays, hi-tech park establishments and so on to ensure a positive boom in IT sector. The internet service related business of the industry is expected to grow in a positive manner in the upcoming years. The number of internet users was 54.10 million at the end of 2015, which rose to 66.80 million in September 2016, according to data from Bangladesh Telecommunication Regulatory Commission (BTRC).

Table 4: Use Of IPO Proceeds

Particulars	Amount (BDT mn)
Loan repayment	185.92
BMRE for infrastructure Development	154.67
Data Center Setup	118.00
Wi-Fi Hotspot setup in different locations	74.20
Estimated IPO Expenses	29.70
Total	562.50

Source: LBSL Research and Company Prospectus

Table 5: Existing installed and future capacity & utilization of Internet Services

Internet Services	Existing			Projected		
	2013	2014	2015	2016-17	2017-18	2018-19
Capacity (Monthly) in mbps	2,500	5,000	15,000	21,000	27,000	30,000
Service Provided (Monthly)	1600	4,200	13,390	19,800	25,000	28,000
Capacity Utilization	64%	84%	89%	94%	93%	93%

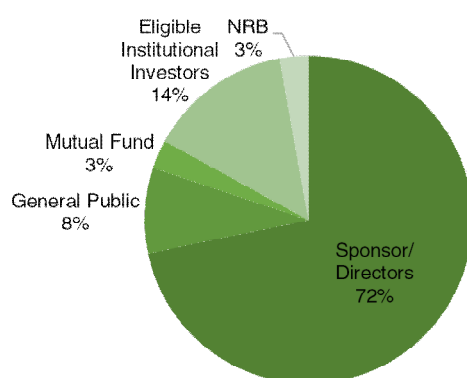
Source: LBSL Research and Company Prospectus

Table 6: Revenue contribution of major products or services

Product Segmentation	Revenue (BDT mn)	Contribution (% of Total Sales)
Internet, Equipment Sale & others	419.7	65.3%
IT support and software	222.6	34.7%
Total	642.3	100.0%

Source: LBSL Research and Company Prospectus

Chart 1: Shareholding Pattern (Post IPO)



Source: LBSL Research and Company Prospectus

Principal Products and Services

Internet Bandwidth, Equipment Sale & Others: As mentioned earlier aamra networks limited (ANL) is one of the first Internet Service Providers (ISPs) in Bangladesh starting its operation in 2001. ANL also offers equipment such as audio & video equipment, Security & surveillance equipment, Radio device & related equipment, Switch & router, Computer & related accessories, Fiber optic cable, Fiber optic equipment, LAN accessories and Power, UPS & related accessories.

IT Support & Software: Aamra networks limited provides IT Infrastructure Management Services and LAN maintenance services to corporate clients in exchange of payments. ANL is a leading System Integrator (SI) in Bangladesh. It develops customized applications and business solution software. ANL offers a wide range of IT solution service packages, some of which are NoSpam Solution, Networking Monitoring Solution, Email & WebHosting Solution, Website Services, School Management System, Total Office Solution, Employee Management System (EMS)

Lock-in Period

38,000,000 shares held by Sponsors/Directors are locked-in until July 11, 2020.

25% shares of Eligible Investors (3,760,000 shares) are locked-in for until October 11, 2017, another 25% (3,760,000 shares) is locked-in until January 11, 2018. Shares held by Alternative Investment Fund are locked-in for until July 11, 2018.

Table 7: Allocation of IPO shares for different investor groups

Particulars	Number of Shares (mn)	Percentage
Eligible Institutional Investors	7.52	50.0%
Mutual Funds	1.50	10.0%
Non-Resident Bangladeshi	1.50	10.0%
General Public	4.51	30.0%
Total	15.04	100.0%

Source: LBSL Research and Company Prospectus

Table 8: Source and Requirement of Utilities

Utilities	Sources and Requirement	Contingency plan
POWER	At present total monthly requirement of power is 85 KVA for its rented corporate office and rented registered office. DESCO (Dhaka Electric Supply Company Limited) is supplying electricity to ANL. All the tenants in the rented office premises pay monthly power bill proportionately. All the tenants in the rented office premises pay monthly power bill proportionately.	The Company uses diesel generators as standby with the total capacity of 38 KVA in case of any power disruption. ANL have implemented automated load balancing, monitoring and management tools that intelligently shifts the usage of generators and UPSs thus increasing the life expectancy and efficient use of power.
GAS	ANL is a service oriented company therefore it does not use any gas.	Since the company is engaged in service oriented operations hence there is no particular contingency plan for gas supply.
WATER	WASA (Water Supply & Sewerage Authority) provides the water supply of ANL. All the tenants in the rented office premises pay monthly water bill proportionately.	Since the company is not engaged in any manufacturing operations hence there is no particular contingency plan for water supply.

Source: LBSL Research and Company Prospectus

Business Highlights

- Company's financial statements shows that its revenue, gross profit, operating profit, net profit has grown 11.4%, 10.7%, 17.0% and 41.5% respectively in 2015. The annualized figures from ANL's half yearly financial statements also shows 15.1%, 11.3%, 10.0% and 6.6% growth in revenue, gross profit, operating profit, net profit respectively. The net profit figure in 2015 has shown an unusual growth of 41.5% mostly because of a sudden decrease in the company's financial expenses.
- Margins of Aamra Networks Ltd. shows that the company has managed to keep its margins at a strong and stable position. Gross margin of the company has ranged between 39 to 40%, operating margin ranged between 20 to 21%, net margin ranged between 14 to 16% since 2014. The company has scope to improve its operating margin through reducing its operating expenses as the gap between its gross and operating margin is pretty high.
- ANL's ISP capacity and capacity utilization rate have increased significantly over the years. Internet Service providing capacity was 2500 mbps in 2013, which has reached 15000 in 2015 and the utilization rate reached 89% in 2015 from 64% in 2013. Both the figures are expected to grow at a greater rate in coming years with the rapidly growing demand for internet in the country.
- As a growing company, ANL has to continuously invest in its working capital and business expansion need. This has caused the companies financial expenses and debt to equity ratio to increase time to time. If the company manages to reduce its loan financing and thus financial expenses in the future, then the net profit margin is expected to reach a more sound level.
- Aamra Networks Ltd. is the largest ISP of the country in terms of bandwidth delivery and existing customer base and also largest buyer of IT infrastructure. Besides the company plans to expand both nationally (throughout the country) and internationally (starting with different parts of Asia). Being the only leading company of a highly prospective industry, ANL can be considered as a company with high growth potentials.

Table 9: Price at Various P/Es

Price to Earnings Ratios	15.00	20.00	25.00	30.00	35.00
Annualized EPS of 9M 17	2.51	2.51	2.51	2.51	2.51
Price	37.65	50.20	62.75	75.3	87.85

Source: LBSL Research and Company Prospectus

Table 10: Income Statements (Amount in BDT mn)

Particulars	FY'16 (Half Year)	FY'15	FY'14
Revenue	381.64	662.95	595.09
Cost of goods sold	(234.63)	(398.75)	(356.49)
Gross Profit	147.01	264.20	238.60
Operating Expenses	(69.23)	(122.79)	(117.73)
Profit from Operation	77.78	141.41	120.87
Financial Expenses	(5.31)	(8.49)	(35.14)
Other Income	0.22	4.41	8.64
Profit before WPPF	72.68	137.33	94.38
Workers' Profit Participation Fund (WPPF)	(3.46)	(6.54)	(4.49)
Profit before income tax	69.22	130.79	89.88
Provision for taxation	(5.22)	(10.71)	(5.00)
Profit for the Year	64.00	120.08	84.89

Source: LBSL Research and Company Prospectus

Table 11: Statements of Financial Position (Amount in BDT mn)

Particulars	FY'16 (Half Year)	FY'15	FY'14
ASSETS			
Non Current Assets	690.49	637.49	471.80
Property, Plant & Equipment	656.00	599.50	427.40
Intangible assets	26.75	29.72	33.63
Advance, deposit & prepayments	7.74	8.27	10.77
Current Assets	389.94	305.66	387.03
Inventories	179.39	106.37	88.86
Trade and other receivables	96.72	100.92	93.39
Advance, Deposits and Prepayments	99.83	73.98	51.77
Cash and Cash Equivalents	13.99	24.39	153.01
Total Assets	1,080.43	943.15	858.82
EQUITY AND LIABILITIES			
Shareholder's Equity	899.16	835.16	569.81
Share Capital	380.00	380.00	260.00
Share premium	159.13	159.13	-
Share money deposit	-	-	133.86
Retained Earnings	360.03	296.02	175.94
Non-Current Liabilities	15.82	14.09	62.02
Long Term Loan	-	-	31.37
Lease liability	-	-	23.36
Deferred Tax Liability	15.82	14.09	7.29
Share Money Deposit	-	-	-
Current Liabilities	165.46	93.90	227.00
Current Maturity of Long Term Loan	-	-	14.59
Current portion of lease liabilities	0.96	1.28	12.71
Short Term Borrowings	93.80	37.00	148.46
Accrued expenses	12.01	8.51	17.58
Provision for Workers' Profit Participation Fund (WPPF)	10.90	11.03	4.49
Trade and Other Payable	40.29	28.17	23.02
Provision for tax	7.49	7.90	6.15
Total Liabilities	181.27	108.00	289.02
Total Equity and Liabilities	1,080.43	943.15	858.82

Source: LBSL Research and Company Prospectus

Table 12: Key Ratios

Particulars	FY'16 (Half Year)	FY'15	FY'14
Gross Profit Margin	38.5%	39.9%	40.1%
Operating Profit Margin	20.4%	21.3%	20.3%
Net Profit Margin	16.8%	18.1%	14.3%
ROE	7.1%	14.4%	14.9%
ROA	16.4%	39.3%	21.9%
Debt to Equity	20.2%	12.9%	50.7%

Source: LBSL Research and Company Prospectus

