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**Table : IPO Snapshot**

IPO Size (BDT mn)	200.0
IPO Size (Shares mn)	20.0
Face Value Per Share (BDT)	10.0
Offer Price Per Share (BDT)	10.0
Year End	June
Sector	Engineering
Revenue in 2016 (BDT mn)	2,586.93
Net Profit in 2016 (BDT mn)	246.08
Latest EPS (Post IPO) (BDT)	2.05
Issue Date of Prospectus	April 27, 2017
Subscription Open Date	May 23, 2017
Subscription Close Date	June 04, 2017

Source: LBSL Research and Company Prospectus

## Company Overview

BBS Cables Limited (BBSCABLES) is a company that carries on manufacturing and marketing of various kinds of electrical cables, wires and conductors. The company was incorporated in April 2009 as a private company limited and started commercial operation in the year of 2011. The company has changed its status from Private to Public limited on January 2015. Key products of the BBSCABLES are aluminum, copper, silicon, automobiles, coaxial, house wire and many other types of cables. The company is about to introduce a new product soon named "HT Cables up to 66KV capacity".

**Table : Products of BBSCABLES**

Aluminum Cables	FRLS Cables	Rubber Cables
Silicon Cables	Flexible Cables	Welding Cables
Power Cables	Copper Cables	Automobile Cables
Jelly Filled Cables	HR-FRLS Cables	Coaxial Cables
Railway Signaling Cables	Optical Fiber Cables	Telecommunication Cables
Submersible Cables	Fire Resistance Cables	

Source: LBSL Research and Company Prospectus

**Table : Annual Production Capacity of Cables (in MT)**

Particulars	Existing 2016	Projected 2019
Installed Capacity	7,200	11,200
Actual Production	4,780	8,400
Capacity Utilization (%)	66.4%	75.0%

\*The Company has projected that the capacity utilization will be increased. As the total market is increasing day by day and market share of the company is increasing hence, the management of the Company thinks that the projected capacity is attainable.

Source: LBSL Research and Company Prospectus

**Table : Capital Structure of the Company**

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	1,000.0
Capital to be issued as IPO	200.0
Paid-up Capital (after IPO)	1,200.0

Source: LBSL Research and Company Prospectus

**Table : Revenue Contribution FY16**

Product Segmentation	Revenue (BDT mn)	Contribution (% of Total Sales)
Domestic Cables	763.1	29.5%
Power Cables	1,823.8	70.5%
<b>Total</b>	<b>2,586.9</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

**Table : Principal Suppliers of Raw Material**

Name of Principal Suppliers	Name of Raw Materials	Country of Origin
Marubeni Corporation	Copper Cathodes	Japan
Trafigura Pte. Ltd.	Copper Cathodes	Singapore, South Korea, China
PT Tembaga Mulia Semanan Tbk	Aluminum Wire Rod	Indonesia
KJV Alloy Conductors	Aluminum Wire Rod	India
Ituchu (Thailand) Ltd.	PVC Resin	Thailand/Taiwan
Marubeni Corporation	PVC Resin	Japan
Chemplast	PVC Resin	Taiwan
Nghe An Joint Stock Co.	Calcium Carbonate Powder	Vietnam
Mien Trung Mineral Joint Stock Company	Calcium Carbonate Powder	Vietnam
Kalpena Ind. Ltd.	XLPE Compound	India
Zhengzhou Hongda Cable Co., Ltd.	XLPE Compound	China
Beachlocher (M) Sdn	PVC Stabilizer	Malaysia
Nantong Advance Chemicals Co.,Ltd	PVC Stabilizer	China
Dreamz International	ATH, Zink Borate, MTO, ATO, Calcium Stearate	India
Nikanam Chemicals (P) Ltd.	ATH, Zink Borate, MTO, ATO, Calcium Stearate	India
Tianjin Yinshan Manufacture and Trade Co., Ltd.	Galvanized Steel Core Wire	China
Usha Martin	Galvanized Steel Core Wire	India

Source: LBSL Research and Company Prospectus

## Principal Products and Services

The company manufactures and markets a single product 'cables' of more than 500 specifications and qualities. Types of different cables includes aluminum, silicon, copper, optical fiber, rubber, welding, coaxial and many other cables. The company has no plan to export its products. In future the company is planning to introduce "HT Cables" with capacity up to 66KV. Currently there is no local manufacturer of this product and the local demand is met by importing from overseas countries.

**Table : Use of IPO Proceeds**

Particulars	Use of IPO Proceeds in BDT mn	Use of IPO Proceeds in %
Partial Loan pay off of IDLC Finance	40.00	20.0%
Acquisition of Plant & Machinery	98.00	49.0%
Building & Other Civil Works	44.61	22.3%
IPO Expenses	17.39	8.7%
<b>Total</b>	<b>200.0</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

**Table : Source and Requirement of Utilities**

Particulars	Requirements	Source
Power	2,000 KW	The Company has own Diesel Generated power plant namely Deutz, Generator with a capacity of 500 KVA and 800 KVA which was in brand new condition from Germany. The Company also has an agreement with BREB for power supply.
Gas	Undisclosed	The Company purchased locally LPG cylinder to fulfill it's gas requirement.
Water	Undisclosed	Water requirement is meet by the Company's own deep tube-well with 350 ltr. Per minute capacity.

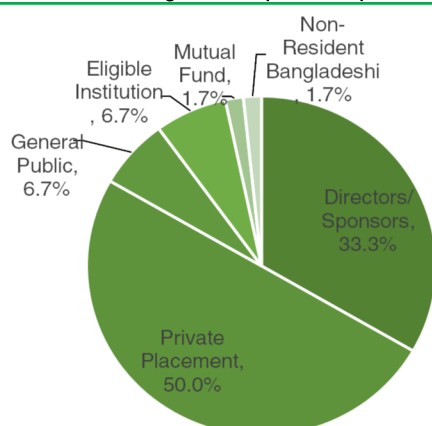
Source: LBSL Research and Company Prospectus

## Lock-in Period

40,000,000 shares held by Sponsors/Directors are locked-in until April 26, 2020. 60,000,000 shares funded by private placement in Pre-IPO period is locked-in until April 26, 2018.

25% shares of Eligible Investors (10,000,000 shares) are locked-in for until July 26, 2017, another 25% is locked-in until October 26, 2017. Shares held by Alternative Investment Fund are locked-in for until April 26, 2018.

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



Source: LBSL Research and Company Prospectus

**Table : Number of Securities to be Entitled for Each Category of Applicants**

Particulars	Number of Shares	Percentage
Eligible Institutional Investors	8,000,000	40.0%
Mutual Funds	2,000,000	10.0%
Non-Resident Bangladeshi	2,000,000	10.0%
General Public	8,000,000	40.0%
	<b>20,000,000</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

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### Business Highlights

- Company's historical financial statements shows that its sales, gross profit, operating profit, net profit has been growing for last five years. Revenue, Gross Profit, Operating Profit and Net Profit has grown at a CAGR of 26.4%, 25.4%, 28.4% and 36.1% respectively.
- Margins of BBSCABLES shows that the company has managed to keep its margins at a stable position throughout the time period in last five years without any major fluctuation. Gross margin moved around the range between 31.7% to 35.4%, operating margin moved around the range between 23.5% and 26.5%, net margin moved around the range between 6.0% to 9.5%.
- BBSCABLES's production has increased by 56.7% in last three years. The management of the company has estimated increase in industry demand and has planned to further enhance its current installed capacity of 7,200 MT cables (66.39% utilization rate) to 11,200 MT cables (75.0% estimated utilization rate) by 2019.
- Due to increasing inventory and accounts receivables, BBSCABLES is in need of some working capital financing which is funded in the form of short term capital. This has caused BBSCABLES to bear a huge expense in the name of interest expense. Due to high interest expense, BBSCABLES net profit is being decreased. Historically BBSCABLES has been able to achieve a reasonably good operating margin (26.3% as of FY16). However, due to high interest payment, most of the operating profit deteriorates and the net margin comes down to a low level (9.5% as of FY16). If the company manages to reduce short term loan in the future, and solve its working capital issue, then the net profit margin is expected to reach a sound level.
- Since the industry demand is not fully met by the local production, there is vast growth opportunity in the industry that BBSCABLES is operating in. Also, BBSCABLES is launching a new product which is not produced locally by any other competitor. Based on the fact that BBSCABLES is bringing unique product to the market, lack of local manufacturers of cables, and the industry demand is growing due to government's initiative to increase electricity coverage, BBSCABLES has tremendous growth opportunity.

**Table : Income Statements (Amount in BDT mn)**

Particulars	FY12	FY13	FY14	FY15	FY16
<b>Revenue</b>	<b>1014.67</b>	<b>1499.12</b>	<b>1870.68</b>	<b>2268.71</b>	<b>2586.93</b>
Cost of goods sold	-655.68	-1022.71	-1278.20	-1490.27	-1697.89
<b>Gross profit</b>	<b>358.99</b>	<b>476.42</b>	<b>592.48</b>	<b>778.43</b>	<b>889.04</b>
<b>Operating expenses</b>	<b>-108.33</b>	<b>-103.24</b>	<b>-152.41</b>	<b>-176.31</b>	<b>-208.79</b>
Administrative Expenses	-45.21	-39.12	-62.29	-59.23	-62.91
Selling & Distribution Expenses	-63.13	-64.12	-90.12	-117.08	-145.88
<b>Profit from Operation</b>	<b>250.65</b>	<b>373.18</b>	<b>440.07</b>	<b>602.13</b>	<b>680.25</b>
Add: Other Income	1.17	1.14	2.44	3.91	8.38
Less: Financial Expenses	-136.94	-209.57	-231.11	-269.20	-251.83
Contribution to WPPF	0.00	0.00	-10.07	-16.04	-20.80
<b>Net Profit before Tax</b>	<b>114.88</b>	<b>164.75</b>	<b>201.33</b>	<b>320.79</b>	<b>416.00</b>
Income Tax Expenses	43.08	75.06	79.68	119.84	169.91
<b>Net Profit after Tax</b>	<b>71.80</b>	<b>89.69</b>	<b>121.65</b>	<b>200.96</b>	<b>246.08</b>

Source: LBSL Research and Company Prospectus

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

Particulars	FY12	FY13	FY14	FY15	FY16
<b>Assets</b>					
<b>Non-Current Assets</b>	<b>596.09</b>	<b>670.15</b>	<b>707.88</b>	<b>770.66</b>	<b>1153.02</b>
Property, Plant & Equipment	583.29	659.90	707.88	770.66	1153.02
Un-Allocated Revenue Expenditure	12.80	10.24	0.00	0.00	0.00
<b>Current Assets</b>	<b>991.26</b>	<b>1543.83</b>	<b>1835.00</b>	<b>2431.96</b>	<b>3328.47</b>
Inventories	600.68	608.69	695.51	796.01	925.75
Accounts Receivable	132.31	357.01	590.50	797.49	941.04
Advances, Deposits & Prepayments	229.72	490.86	443.92	552.56	923.16
Cash & Cash Equivalents	28.54	87.26	105.06	285.89	538.52
<b>Total Assets:</b>	<b>1587.35</b>	<b>2213.97</b>	<b>2542.88</b>	<b>3202.62</b>	<b>4481.49</b>
<b>Shareholders Equity &amp; Liabilities:</b>					
<b>Shareholders' Equity</b>	<b>161.70</b>	<b>259.16</b>	<b>380.81</b>	<b>540.98</b>	<b>1687.06</b>
Share Capital	50.00	50.00	50.00	100.00	1000.00
Retained Earnings	61.70	109.16	230.81	440.98	687.06
Share Money Deposit	50.00	100.00	100.00	0.00	0.00
<b>Liabilities:</b>					
<b>Non-Current Liabilities</b>	<b>381.52</b>	<b>430.65</b>	<b>576.35</b>	<b>425.06</b>	<b>458.60</b>
Long Term Loan	381.52	375.14	511.63	352.77	362.00
Deferred Tax Liability	0.00	55.51	64.73	72.28	96.60
<b>Current Liabilities</b>	<b>1044.14</b>	<b>1524.16</b>	<b>1585.71</b>	<b>2236.59</b>	<b>2335.83</b>
Current Portion of Long Term Loan	117.03	125.08	126.50	158.28	191.54
Short Term Loan	818.90	891.85	1111.04	1569.15	1580.34
Accounts Payable	57.96	393.51	152.82	200.81	102.31
Liabilities For Expenses	6.81	8.50	9.60	13.55	16.49
Provision for Income Tax	43.44	105.23	175.69	278.76	424.35
Workers' Profit Participation Fund	0.00	0.00	10.07	16.04	20.80
<b>Total Equity &amp; Liabilities:</b>	<b>1587.35</b>	<b>2213.97</b>	<b>2542.88</b>	<b>3202.62</b>	<b>4481.49</b>

Source: LBSL Research and Company Prospectus

**Table : Key Ratios**

Particulars	FY12	FY13	FY14	FY15	FY16
Gross Profit Margin	35.4%	31.8%	31.7%	34.3%	34.4%
Operating Profit Margin	24.7%	24.9%	23.5%	26.5%	26.3%
Net Profit Margin	7.1%	6.0%	6.5%	8.9%	9.5%
ROAE	44.4%	42.6%	38.0%	43.6%	22.1%
ROAA	4.5%	4.7%	5.1%	7.0%	6.4%
Debt to Equity	8.82	7.54	5.68	4.92	1.66

Source: LBSL Research and Company Prospectus

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#### Recommendation Interpretation

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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