

Analyst

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Table : IPO Snapshot

IPO Size (BDT mn)	2,000.00
IPO Size (Shares mn)	26.04
Face Value Per Share (BDT)	10.00
Offer Price Per Share (BDT)	72.00
Year End	June
Sector	Paper & Printing
Revenue in 2016 (BDT mn)	16,128.49
Net Profit in 2016 (BDT mn)	581.25
Latest EPS (Post IPO) (BDT)	3.34
Issue Date of Prospectus	1 March 2018
Subscription Open Date	30 March 2018
Subscription Close Date	9 April 2018

Source: LBSL Research and Company Prospectus

Table : Capital Structure of the Company

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	1,477.50
Capital to be issued as IPO	260.42
Paid-up Capital (after IPO)	1,737.91

Source: LBSL Research and Company Prospectus

Table: Annual Production capacity and capacity utilized (in mn)

Product	Current 30-Jun-17			Projected 30-Jun-18			Projected 30-Jun-19		
	Capacity	Production	Utilization	Capacity	Production	Utilization	Capacity	Production	Utilization
Paper & Tissue (MT)	0.15	0.12	80.00%	0.15	0.12	85.00%	0.15	0.13	90.00%
Printing Machine (pcs)	25.20	17.14	68.00%	25.20	18.90	75.00%	25.20	20.16	80.00%
Bag Section (pcs)	120.00	66.00	55.00%	60.00	39.00	65.00%	120.00	84.00	70.00%
Baby Diaper (pcs)	53.91	21.57	40.00%	26.96	12.94	48.00%	53.91	29.65	55.00%
Hand Gloves (pcs)	25.00	5.00	20.00%	12.50	3.00	24.00%	25.00	7.50	30.00%
Sanitary Napkin (pkt)	10.33	4.96	48.00%	5.17	2.69	52.00%	10.33	5.68	55.00%

Source: LBSL Research and Company Prospectus

Table: Segment revenues BDT (mn)

PRODUCTS	UNIT-1	UNIT-2	UNIT-3	Total
Paper & Exercise product	1,730.05	862.64	848.23	3,440.91
Tissue product	-	-	1,713.66	1,713.66
P.P. Woven Bag product	434.74	-	-	434.74
Paper Sack product	150.16	-	-	150.16
Hygiene product	-	-	140.97	140.97
Local Sales	2,314.95	862.64	2,702.86	5,880.44
Export Sales	3.29	0.32	69.59	73.20
Total	2,318.25	862.96	2,772.45	5,953.65

Source: LBSL Research and Company Prospectus

Company Overview

Bashundhara Paper Mills Ltd. (BPML) is one of the key concerns of the well renowned Bashundara Group in Bangladesh. The company got incorporated in Bangladesh as a private limited company on September 28, 1993. The company was converted into a public limited company on January 30, 1994 and stated commercial operation on March 01, 1997.

The core operation of the company includes manufacturing of different paper and allied products in "Unit-1 & Unit-2" and allied products in "Unit-3". The company markets the products in local and international markets. Currently the company does not have any subsidiary but it operates under a holding company.

The principle products of the company includes white writing and printing papers, different types of tissues, Baby Diaper, Sanitary Napkin, Hand Gloves, Duplex Board, Sludge Board etc.

The company has good prospect in tissue and hygiene products in both domestic and international markets. The company is increasing the production capacity and supply chain capacity in order to fulfill the increasing demand.

Table: Major sources of raw materials

Name of Suppliers	Category of Supply	Country of Origin
Ekman	Bleached Softwood Kraft Pulp	Sweden
Central National Europe	Bleached Softwood Kraft Pulp	Austria
ATRO International FZE	Waste and Scrap paper, UAE Paper Board, Waste Paper Old Corrugated Carton (OCC)	UAE
G.A. Paper International	Softwood Kraft Pulp	Canada
Sonish Starch Technology Co.,Ltd	Modified Oxidized Starch (SN41-P017)	Thailand
Sky Dragon	Microcapsule Blue RDNCR-MC-98 Color developer	
Chemtech Enterprise Limited	RDNCR-CD-98 SB Latex RDNCR-SBL-98	
APP China Trading Limited	DYE SD-98-YELLOW Bleached Softwood Kraft Pulp ACA-CIA	China Hong Kong

Source: LBSL Research and Company Prospectus

Table: Sources of, and requirement for, power, gas and water (Unit 1)

Sl. No	Description	Source	Current Requirement (Approx)
1	Electricity	Gas Generator 35 lac KWH, REB 6 lac KWH Unique Power Plant 6 lac Titas Gas Distribution Co.	47 Lac KWH/Month
2	Gas	Own Deep Tube well & Meghna River	23 lac CM/Month
3	Water		1296 Lac Liter/Month

Source: LBSL Research and Company Prospectus

Table: Sources of, and requirement for, power, gas and water (Unit 2)

Sl. No	Description	Source	Current Requirement (Approx)
1	Electricity	Own Power Plant TITAS Gas Transmission & Distribution Co. Ltd.	6613960 KWH/Month
2	Gas	Meghna River	2,736,703 M ³ /Month
3	Water		324000 M ³ /Month

Source: LBSL Research and Company Prospectus

Table: Sources of, and requirement for, power, gas and water (Unit 3)

Sl. No	Description	Source	Current Requirement (Approx)
1	Electricity	Comilla Pally Bidyut Samity-3	3800 KWH
2	Gas	Titas Gas Distribution Co.	2478677 M ³ /Month
3	Water	Own Deep Tube well & Meghna River	18 Crore Ltr/Month

Source: LBSL Research and Company Prospectus

Table: Contingency Plan for electricity

Particulars	Unit-1	Unit-2	Unit-3
Machinery	05 nos. of Generator with same specification	02 nos. of Generator specification	04 nos. of Generator with same specification
Brand	Cater Pillar	Cater Pillar	Cater Pillar
Capacity	1030 KW	1025 KW	15000 kw
Model	G-3516	G-3516	6170ECD69; Generator: RNV 189-140
Country of origin	USA	USA	France
			1. Steam Turbine: Condensing-Extraction type, Brand SOGET 2. Alternator (Generator): Synchronous type, Brand - Alsthom
			Cummins Cummins Cater Pillar Waukesha
			316 KVA 315 KVA 1030 KW 900 KW
			Turbine: NT855 g6 BM2 52 G-3516 VHP5904L TD
			Singapore Singapore USA USA

Source: LBSL Research and Company Prospectus

Table: Use of IPO proceed

SL.No.	Particulars	Amount in BDT Taka (mn)	Use of IPO Proceeds in %
1	Expansion of Business	1,350.00	69%
2	Repayment of Bank Loan	600.00	31%
	Total	1950.00	100.00%

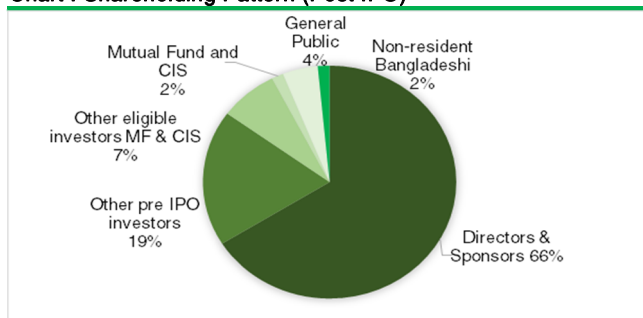
Source: LBSL Research and Company Prospectus

Lock-in Period

Out of 26.04 mn shares issued at IPO, 18.23 mn shares has no lock-in. 25% of shares allotted to Eligible Investors (3.91 mn shares) are locked-in for 6 months and other 25% (3.91 mn shares) locked in for 9 months from the issue date of the prospectus. Among pre-IPO shares, 114.94 mn shares are locked in for 3 years and 32.81 mn shares are locked in for 1 year from the date of issue of prospectus.

So, 114.94 mn shares will be out of lock-in from 1-Apr-2021, 32.81 mn shares will be out of lock-in from 1-Apr-2019, 3.91 mn shares will be out of lock-in from 1-Jan-2019, and another 3.91 mn shares will be out of lock-in from 1-Oct-2018. Shares to be traded on first day of trading day stands at 18.23 mn shares.

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 of holding
Eligible Investors (ex. MF)	13,020,833.00	50.00%
Mutual Funds	2,604,167.00	10.00%
Non-Resident Bangladeshi	7,812,500.00	30.00%
General Public (ex. NRB)	2,604,167.00	10.00%
	26,041,667.00	100.00%

Source: LBSL Research and Company Prospectus

Business Highlights

- The historical financial statements of the company show that the net revenue of the company reported 3.20% growth in June 2016 compared to the same period in the previous year. All the parameters of profitability showed significant growth in 2016. the gross profit margin reported 17.56% growth while operating profit margin and net profit margin increased by 4.36% and 3.60% from the same period of 2015. Return on average equity and average asset reported 12.90% and 3.07% growth respectively while the debt to equity ration declined to 80.25% in 2016 compared to 86.99% in the pervious year.
- Based on the 18 months profit or loss account, the company reported BDT 3.93 earnings per share against BDT 581.25 million net profit after tax. In June 2015 the company reported BDT 2.45 EPS against BDT 362. 68 million net profit after tax. In compared to 2015 the earning per share of the company increased by 60.41% in June 2016.
- Bashundhara Paper Mills Ltd. holds significant market share in different paper products in Bangladesh market. The company holds 42.56% of the total market share in paper products, 85% in tissue products, and 16.53% in baby diaper.
- As of June 2017 the capacity utilization rate in the paper and tissue products is 80.00% and the utilization rate is expected to reach 85.00% by June 2018 and 90.00% in the same period of the following year. In June 2017, the capacity utilization rate of the printing machine was 68.00% while it is expected to reach 75.00% by 2019 and 80.00% by June 2019. the lowest capacity utilization rate in in case of the Hand Gloves section with 20.00% in June 2017 and it is expected to reach 24.00% by June 2018 and 30.00% by June 2019.

Statement of profit or loss (Amount in BDT mn)

Particulars	January 2015 to June 2016	January 2014 to June 2015
Revenue, net	16,128.49	15,628.95
Cost of sales	-13,296.74	-12,956.64
Gross profit	2,831.75	2,672.31
Other income	2.26	10.26
Administrative expenses	-430.83	-451.77
Selling & distribution expenses	-189.59	-182.23
Finance costs	-1,472.01	-1,585.38
Profit before distribution of WPP & WF	741.58	463.19
Workers' profit participation & welfare fund	-37.67	
Profit before tax	703.91	463.19
Income tax expenses	-122.66	-100.51
Current tax expense	-65.47	-46.92
Deferred tax (expense)/income	-57.19	-53.59
Profit after tax	581.25	362.68
Earnings per share (Based on post IPO number of shares)	3.34	2.09

Note: 18 Months Combined Statement of profit or loss and other comprehensive income for the period ended 30 June 2016 & 2015.

Statement of financial position (Amount in BDT mn)

Particulars	Jun-16	31-Dec-15
ASSETS		
Non-current assets	9,493.65	9,391.86
Property, plant and equipment, net	8,726.37	8,787.08
Capital work-in-progress	502.27	339.78
Investment	265.00	265.00
Current assets	9,415.20	8,691.88
Inventories	5,387.03	4,934.69
Trade and other receivables	1,668.71	1,685.34
Advances, deposits and prepayments	828.70	701.68
Advance income tax	378.37	430.70
Intercompany current account	950.18	786.73
Cash and bank balances	202.22	152.75
Total assets	18,908.85	18,083.74
EQUITY AND LIABILITIES		
Capital and reserves	4,504.85	4,213.40
Share capital	1,477.50	1,477.50
Revaluation reserve	2,171.85	2,187.50
Retained earnings	855.51	548.41
Liabilities		
Non-current Liability	4,992.51	5,311.02
Long term borrowings	3,615.25	3,665.16
Deferred tax liability	1,377.26	1,389.04
Intercompany Payable		256.82
Current liabilities	9,411.49	8,559.31
Long term borrowings-current portion	1,122.53	1,202.74
Short term borrowings	7,353.01	6,522.95
Trade and other payables	851.59	680.63
Provision for expenses	18.88	38.12
Income tax provision	65.47	114.88
Total liabilities	14,404.00	13,870.34
Total equity and liabilities	18,908.85	18,083.74
Net Asset Value Per Share	30.49	28.52

Source: LBSL Research and Company Prospectus

Table : Key Ratios

Particulars	January 2015 to June 2016	January 2014 to June 2015
Gross Profit Margin	17.56%	17.10%
Operating Profit Margin	4.36%	2.96%
Net Profit Margin	3.60%	2.32%
ROAE	12.90%	8.32%
ROAA	3.07%	1.96%
Debt to Equity	80.25%	86.99%

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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