

<b>DSE CODE</b> : NAHEECAP	<b>IPO Size</b> : BDT 150 mn	<b>FY17 EPS</b> : BDT 1.60	<b>Analyst</b>
<b>Debut Trading Date</b> : December 24, 2017	<b>Post IPO shares</b> : 48 mn	<b>FY18 EPS</b> : BDT 1.88	<b>Mashqurur Rahman</b>
<b>Offer Price</b> : BDT 10	<b>Shares with no lock-in</b> : 11.25 mn	<b>(annualized)</b>	mashqurur.rahman@lbsbd.com

## Company Overview

Nahee Aluminum Composite Panel Ltd. (NACPL) is the pioneering Aluminum Composite Panel (ACP) manufacturer in Bangladesh. NACPL manufactures “ALUCOTIGER” brand Aluminum Composite Panel (ACP); which is pioneer & market leader of ACP industry.

The company was established in October 24, 2010 as a private limited company. ACPs are used widely as exterior covering of commercial buildings and corporate houses. The company began commercial production on March 01, 2014 and converted into a public limited company on July 4, 2014. The factory of NACPL is situated at Abdar, Telehate, Shreepur, Gazipur, Bangladesh. The company had 106 employees as on June 30, 2016.

## IPO proceeds plan of Nahee Aluminum Composite Panel Ltd

NACPL has issued 15,000,000 shares at BDT 10 to raise BDT 150mn through Initial Public Offering (IPO). The proceedings will be primarily used to procure plant and machineries for BDT 87.76mn (59% of total proceeds). These plant and machineries will be used to introduce false ceiling manufacturing abilities. BDT 40mn (27% of IPO proceeds) will be used for Loan repayment and BDT 10mn (7% of IPO proceeds) of the fund will be used for the construction of a new building. Rest of the funds( BDT 12.24mn) will cover IPO expenses.

## Lock-in Provisions

- Out of 48 million shares, **11.25 million shares** (All shares allocated to general public and 50% of shares allocated to Eligible Investors) will have no lock-in and they will be available for trading on **December 24, 2017**.
- **1.88 million shares** (25.0% of shares allocated to Eligible Investors) will become free from lock-in on **February 28, 2018**.
- **1.88 million shares** (remaining 25.0% of shares allocated to Eligible Investors) will become free from lock-in on **May 28, 2018**.
- **14.0 million shares** from non sponsor Pre-IPO shareholders will become free from lock-in on **August 28, 2018**

### Table : Company Snapshot

Established in	2010
Started commercial operation in	2014
Converted in Public Limited Company in	2014
Paid-up Capital - Before IPO (BDT mn)	330.00
Capital issued as IPO (BDT mn)	150.00
Paid-up Capital - Post IPO (BDT mn)	480.00
Total No. of Securities - Post IPO (mn)	48.00
Free Float (Estimated)	60.42%
Face Value per share (BDT)	10
Category	N
Sector	Engineering
Year end	June
Issue Manager	Banco Finance

Source: LBSL Research and Company Prospectus

### Table : IPO Snapshot

IPO Size (BDT mn)	150.00
IPO Size (Share mn)	15.00
Offer price per share (BDT)	10
Revenue in FY'17 (BDT MN)	525.89
Net profit after tax in FY'17 (BDT MN)	84.47
FY17 Diluted EPS (based on Post-IPO share no. and stock dividend adjusted)	1.60
FY18 Annualized EPS (based on annualized Q1 FY18 profits)	1.88
Issue date of prospectus	August 28, 2017
Subscription open date	September 24, 2017
Subscription close date	October 3, 2017

Source: LBSL Research and Company Prospectus

### Table : Plan for IPO proceed utilization

Particulars	BDT mn	% of total issue
Loan repayment	40.00	26.7%
Plant and machinery	87.76	58.5%
Construction of new building	10.00	6.7%
IPO expenses	12.24	8.2%
<b>Total</b>	<b>150.00</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

### Table : Lock-In Provisions

Lock-In Provisions	No. of Shares	Duration of Lock-in	Lock-In Expiry*
General public and 50% of shares allocated to Eligible Investors	11,250,000	No Lock-In	December 24, 2017
25% of shares allocated to Eligible Investors	1,875,000	6 months	February 28, 2018
Remaining 25% of shares allocated to Eligible Investors	1,875,000	9 months	May 28, 2018
Non sponsor Pre-IPO shareholders	14,000,000	1 year	August 28, 2018
Sponsor/Director	19,000,000	3 Year	August 28, 2020

Source: LBSL Research and Company Prospectus

\*Lock-In Duration is counted from the Issue Date of Prospectus

## Principal Products and Services

Nahee Aluminum Composite Panel Ltd. has been set up to produce all types of Aluminum Composite Panel (ACP). ACPs consist of two thin, coated Aluminium sheets which sandwich a less dense core. At present, there are different varieties of products in relation to colour, thickness and in category. The company is permitted to produce 3mm and 4mm ACP by the Customs, Excise & VAT Gazipur Division.

The products of NACPL have been marketed locally. Basically, there is a huge demand of the product in Bangladesh due to increase of manufacturing modern both commercial and residential building and ACP's decorative utility. Currently, around 80% of the total market demand is met through imports. If Nahee can ensure quality, there is ample business opportunity in this segment.

**Table : Capacity Projection by the company**

Particulars	Actual		Projected	
	FY16	FY 17	FY 18	FY 19
Total Capacity (sqf mn/year)	8.50	8.50	10.00	10.50
Total Utilization (sqf mn/year))	4.33	4.99	5.90	6.60
% Utilization	51%	59%	59%	63%

Source: Company Prospectus

**Table : Financial Highlights**

Particulars	FY'14	FY'15	FY'16	FY'17
<b>Financial (BDT mn)</b>				
Revenue	45.56	355.67	400.75	525.89
Gross Profit/(Loss)	10.97	118.70	134.53	181.92
Net Profit Before Tax	5.87	68.32	89.98	160.69
Net Profit	2.71	37.65	51.50	84.47
Assets	381.22	484.53	719.76	800.31
Debt	195.39	210.88	216.43	160.85
Equity	102.71	140.36	421.86	506.33
<b>Growth (YoY)</b>				
Revenue	N/A	680.7%	12.7%	31.2%
Gross Profit	N/A	981.8%	13.3%	35.2%
Operating Profit	N/A	1103.9%	14.9%	35.0%
Net Profit Before Tax	N/A	1064.4%	31.7%	50.8%
Net Profit	N/A	1289.1%	36.8%	64.0%
<b>Margin</b>				
Gross Margin	24.1%	33.4%	33.6%	34.6%
Operating Margin	18.9%	29.1%	29.7%	30.6%
PBT Margin	12.9%	19.2%	22.5%	25.8%
Net Margin	6.0%	10.6%	12.9%	16.1%
<b>Key ratios</b>				
ROA	1.2%	8.7%	8.6%	11.1%
ROE	3.6%	31.0%	18.3%	18.2%
Debt to Equity	190.2%	150.2%	51.3%	31.8%
EPS	0.06	0.78	1.07	1.76
NAV per Share	2.14	2.92	8.79	10.55

Source: LBSL Research and Company Prospectus

\*EPS & NAVPS are calculated using Post IPO Number of shares

## Capacity

Nahee Aluminum Composite Panel currently produces all types of Aluminium composite panel but it plans to establish false ceiling plant within its existing factory premises. The total factory area is 30,000 square feet, which is equipped with state of the art technology machineries to manufacture and test all types of Polyester Coating, PVDF Coating, Nano-PVDF Coating, Fire-Proof Aluminum Composite Panel.

The proceeds from IPO will be used to increase total capacity to 10.50 million sqf by 2019 from existing 8.50mn sqf to keep up with the market demand. Of the projected total capacity, 1mn sqf will be dedicated to false ceiling production and the company has projected to utilize the capacity up to 60% by 2019.

## Financial Overview

- The company posted 12.7% and 31.2% revenue growth in FY16 and FY17 respectively. The company started in commercial operation on March 2014, so the company was in operation only for 4 months in FY14. Hence, its numbers in FY14 is very low and the FY15 numbers show massive growth year-on-year in comparison.
- Gross profit margin has been stable throughout FY15-FY17 indicating low exposure to global commodity prices. As the market is still catered by imports mostly, it's likely that the imported products see fluctuations in line with commodity prices and Nahee can adjust pricing accordingly. The company has also displayed very stable operating profit margin.
- Net profit before tax increased by 31.7% and 50.8% in FY16 and FY17 respectively. Both these years, this growth was much larger than the growth in operating profits. This has been made possible by the company's decreasing financing costs, As the company has continued to pay down its debt, the debt-to-equity ratio has come down to 31.8% in FY17 compared to 150.2% in FY15.
- The company has set aside BDT 40 million from IPO funds for loan repayment. This would decrease the company's existing debt balance by ~25%, further improving future profitability.
- Powered by stable margins and improving leverage situation, the company posted 36.8% and 64.0% Profit growth in FY16 and FY17. The company will move to 25% corporate tax bracket from current 37.5% range after listing, this would also help profit figures.

## LATEST CORPORATE DECLARATION

The company has declared 5% cash dividend (BDT 0.50 per share) and 10% Stock dividend for the year ended on June 30, 2017, subject to AGM approval. The record date for Dividends is 12 December, 2017. This would mean an additional 4.8 million shares will be eligible for trading (with no sponsor/EI lock-in) once bonus shares are credited, taking total shares to 52.8million then.

The company also declared BDT 24.84mn in profits for the Q1FY18 (Jul-Sep'17), showing 29.1% YoY growth. Based on post IPO shares and the proposed stock dividend, fully diluted EPS is BDT 0.47, From this, annualized forward EPS would be BDT 1.88.

**Table : Prices at different Valuation levels**

	15x P/E	20x P/E	25x P/E	30x P/E	35x P/E	40x P/E
FY17 Fully Diluted EPS	1.60	1.60	1.60	1.60	1.60	1.60
Price based on Trailing P/E	24.00	32.00	40.00	48.00	55.99	63.99
	15x P/E	20x P/E	25x P/E	30x P/E	35x P/E	40x P/E
FY18 Forward EPS	1.88	1.88	1.88	1.88	1.88	1.88
Price based on Forward P/E	28.23	37.64	47.05	56.45	65.86	75.27

Source: LBSL Research and Company Disclosures

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

Particulars	FY'14	FY'15	FY'16	FY'17
Net Turnover	45.56	355.67	400.75	525.89
Cost of Goods Sales	(34.58)	(236.98)	(266.23)	(343.97)
<b>Gross Profit/(Loss)</b>	<b>10.97</b>	<b>118.70</b>	<b>134.53</b>	<b>181.92</b>
<b>Operating Expenses</b>	<b>(2.37)</b>	<b>(15.11)</b>	<b>(15.49)</b>	<b>(21.23)</b>
Administrative Expenses	(1.37)	(9.03)	(8.26)	(10.43)
Selling & Distribution Expenses	(1.00)	(6.08)	(7.23)	(10.80)
<b>Operating Income</b>	<b>8.60</b>	<b>103.59</b>	<b>119.03</b>	<b>160.69</b>
Financial Expenses	(2.44)	(31.85)	(24.56)	(18.26)
<b>Net Profit/(Loss) before WPPF</b>	<b>6.16</b>	<b>71.74</b>	<b>94.48</b>	<b>142.43</b>
<b>Contribution to WPPF</b>	<b>(0.29)</b>	<b>(3.42)</b>	<b>(4.50)</b>	<b>(6.78)</b>
<b>Net Profit/(Loss) before Tax</b>	<b>5.87</b>	<b>68.32</b>	<b>89.98</b>	<b>135.65</b>
Income Tax Expenses	(3.16)	(30.67)	(38.48)	(51.17)
<b>Net Profit/(Loss) after Tax</b>	<b>2.71</b>	<b>37.65</b>	<b>51.50</b>	<b>84.47</b>
<b>Diluted EPS</b>	<b>0.05</b>	<b>0.71</b>	<b>0.98</b>	<b>1.60</b>

Source: LBSL Research and Company Prospectus

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

Particulars	FY'14	FY'15	FY'16	FY'17
<b>ASSETS</b>				
Property, Plant & Equipment	283.06	360.88	428.95	384.50
Capital Work-in Progress	0.00	0.00	0.00	0.00
Preliminary Expenses	0.00	0.00	0.00	0.00
Pre-operating Expenses	2.46	0.00	0.00	0.00
<b>Total Non-Current Assets</b>	<b>285.52</b>	<b>360.88</b>	<b>428.95</b>	<b>384.50</b>
Inventories	56.45	47.63	117.46	174.01
Advances, Deposits & Pre-payments	12.29	28.65	70.05	112.36
Accounts Receivables	14.19	43.06	76.71	88.05
Cash & Cash Equivalents	12.77	4.31	26.60	41.39
<b>Total Current Assets</b>	<b>95.70</b>	<b>123.64</b>	<b>290.82</b>	<b>415.81</b>
<b>TOTAL ASSETS</b>	<b>381.22</b>	<b>484.53</b>	<b>719.76</b>	<b>800.31</b>
<b>EQUITY &amp; LIABILITIES</b>				
<b>Shareholders' Equity</b>				
Share Capital	100.00	100.00	330.00	330.00
Retained Earnings	2.71	40.36	91.86	176.33
<b>Total Shareholders' Equity</b>	<b>102.71</b>	<b>140.36</b>	<b>421.86</b>	<b>506.33</b>
<b>Liabilities</b>				
Long Term Loan	119.70	107.08	75.16	37.89
Deferred Tax Liabilities	1.10	7.86	14.85	18.55
Share Money Deposit	77.00	77.00	0.00	0.00
<b>Total Non-Current Liabilities</b>	<b>197.80</b>	<b>191.94</b>	<b>90.01</b>	<b>56.44</b>
Short Term Loan	38.69	54.15	91.62	73.31
Long Term Loan-Current Portion	37.00	49.65	49.65	49.65
Sundry Creditors	2.55	17.58	3.35	0.91
Liability for Expenses	0.13	1.46	1.32	1.95
Provision for Tax Liabilities	2.05	25.97	57.46	104.94
Workers' Profit Participation Fund	0.29	3.42	4.50	6.78
<b>Total Current Liabilities</b>	<b>80.71</b>	<b>152.23</b>	<b>207.89</b>	<b>237.53</b>
<b>Total Liabilities</b>	<b>278.51</b>	<b>344.16</b>	<b>297.90</b>	<b>293.97</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>381.22</b>	<b>484.53</b>	<b>719.76</b>	<b>800.31</b>
<b>Net Asset Value (NAV) per Share</b>	<b>9.34</b>	<b>12.76</b>	<b>11.62</b>	<b>13.95</b>

Source: LBSL Research and Company Prospectus

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