

Analyst

Ahmed Irtiza

Ahmed.irtiza@lbsbd.com

**Table 1: 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	Textile
Revenue in FY'16 (BDT mn)	2636.6
Net Profit in FY'16 (BDT mn)	131.3
Net Profit in FY'17 (6-months) BDT mn	35.5
Latest Annualized EPS (Post IPO) (BDT)	0.57
Issue Date of Prospectus	December 08, 2016
Subscription Open Date	January 08, 2017
Subscription Close Date	January 16, 2017

Source: LBSL Research and Company Prospectus

## Company Overview

Shepherd Industries Limited (SIL) is a 100% export oriented business engaged in dyeing and marketing of different counts of yarn to various sweater industries in Bangladesh as deemed exporter. The company was incorporated as a Private Limited Company in Bangladesh on in 2000 and commenced its operation on October 18, 2001. SIL's key products are Various types of cotton, Acrylic, Wool, Nylon, Viscose blended dyed yarn. In April 2015, Shepherd Industry Ltd merged with Shepherd Yarn Limited aiming to bring synergy and growth to the business. Shepherd Industries Limited has no associate, subsidiary and holding company. Proceeds from initial public offering (IPO) will be used for civil construction (for washing Plant), acquisition and installation of new machineries (for washing plant and expansion unit), Expansion of ETP (For Washing plant and BMRE), to repay the short term bank loan of the company and to meet up the IPO expenses.

**Table 2: Capital Structure of the Company**

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	1,042.1
Capital to be issued as IPO	200.0
Paid-up Capital (after IPO)	1,242.1

Source: LBSL Research and Company Prospectus

**Table 3: Capacity of Dyed Yarn (lbs/day)**

Particulars	Existing 2015-16	Projected 2018-19
Installed Capacity	80,000	100,000
Actual Production	63,256	82,000
Capacity Utilization (%)	79.1%	82.0%

**Table 4: Capacity of Washing of Garments (Dz/day)**

Particulars	Existing 2015-16	Projected 2018-19
Installed Capacity	N/A	8,000
Actual Production	N/A	5,600
Capacity Utilization (%)	N/A	70.0%

\*The Company has projected that the capacity utilization will increase. As the market of yarn dyeing is increasing and the projected capacity shown in the above table for dyeing unit up to 2018-19 is very reasonable and achievable.

Source: LBSL Research and Company Prospectus

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

Name of Principal Suppliers	Country of Origin
Purbani Synthetic Spinning Ltd	Bangladesh
Kung Keng Textile (BD) Ltd.	Bangladesh
Bay Poly and Packaging Ltd	Bangladesh
Jiangsu Guo Tai International Group Guo Mao Co. LTD.	China
Damodar Industries Limited	India
Nahar Spinning Mills Limited	India
Vardhaman Polytex Limited	India
P.T. Pini Jaya Indusrti	Indonesia
PT. Kahatex	Indonesia
Hussain Mills Limited	Pakistan
BTO Singapore PTE Ltd.	Singapore
Full Excellent Corp.	Taiwan
Sonic Eagle Industry Ltd	Taiwan
MEGA Hope Textile Ltd.	Taiwan
Full Harvest Limited	Taiwan
Mega Hope Textile Limited	Taiwan

Source: LBSL Research and Company Prospectus

## Principal Products and Services

SIL operates as a backward linkage industry and engaged in dyeing cotton, acrylic, wool and viscos yarn in Bangladesh. SIL sells its products through L/Cs to the 100% export oriented sweater manufacturers who consume the dyed yarn as raw material for production of readymade sweater to export abroad. Raw materials for the business is sourced from local resources as well as overseas resources.

**Table 6: Use of IPO Proceeds**

Particulars	Use of IPO Proceeds in BDT mn	Use of IPO Proceeds in %
Civil Construction	28.1	14.1%
Machineries	97.0	48.5%
Expansion of ETP	15.4	7.7%
Repayment of short term loan	44.5	22.3%
IPO Expenses	15.0	7.5%
<b>Total</b>	<b>200.0</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

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

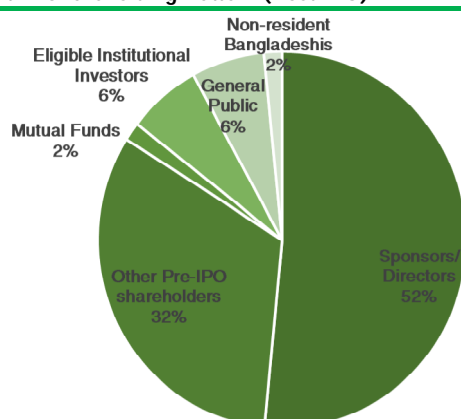
Particulars	Requirements	Source
Power (Captive)	3,760 KVA	Shepherd Industries Limited has 3 own power generation source by gas and Diesel generator with 1,700 kva, 1,030 kva and 1,030 kva capacity. The required power is available from own captive power generator.
Water	Not Specified	The requisite water supply is available from the own deep tube-well installed in the factory premises.
Gas	Not Specified	SIL needs gas for captive power plant. SIL meets the requirement of GAS from TITAS Gas Transmission and Distribution Company Limited (TGTDCCL)

Source: LBSL Research and Company Prospectus

## Lock-in Period

63,941,874 shares held by Sponsors/Directors are locked-in until December 07, 2019. 40,264,112 shares funded by private placement in Pre-IPO period are locked-in until December 07, 2017. Of Eligible Investors' holdings (mutual funds and institutions, total 10,000,000 shares) 25% shares are locked-in until March 07, 2017, and 25% shares are locked-in until June 07, 2017. Shares held by Alternative Investment Fund are locked-in for until December 07, 2017. On the first day of trading, 17,500,000 shares will have no lock in. It is to be noted that, issue date of the prospectus was December 08, 2016.

**Chart 1: Shareholding Pattern (Post IPO)**



Source: LBSL Research and Company Prospectus

**Table 8: 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

**Table 10: Statements of Financial Position (Amount in BDT mn)**

Particulars	FY13	FY14	FY15	FY15	FY16	FY16
	Jan'13-Dec'13	Jan'14-Dec'14	Apr'14-Mar'15	Apr'14-Mar'15	Apr'15-Mar'16	Apr'16-Jun'16
<b>NON-CURRENT ASSETS</b>						
Property, Plant & Equipment	754.4	834.8	830.4	1354.4	1302.9	1334.2
Capital Work in Progress	0.0	0.0	0.0	0.0	43.1	50.4
Intangible Asset	0.0	0.0	0.0	0.0	0.2	0.2
Deferred Revenue Expenditure	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Non-Current Assets</b>	<b>754.4</b>	<b>834.8</b>	<b>830.4</b>	<b>1354.4</b>	<b>1346.2</b>	<b>1384.8</b>
<b>CURRENT ASSETS</b>						
Inventory	781.7	800.0	689.5	1268.3	1380.3	1184.2
Trade & other receivables	624.3	434.3	399.2	659.5	937.9	1091.5
Investment	39.0	29.4	36.6	36.6	62.2	62.2
Advance, Deposits & Prepayments	43.0	52.1	47.4	61.0	75.0	77.8
Current a/c with related entity	260.8	371.7	373.4	279.3	29.1	15.1
Cash and Cash Equivalents	27.4	56.2	15.6	19.1	47.3	40.7
<b>Total Current assets</b>	<b>1776.2</b>	<b>1743.8</b>	<b>1561.8</b>	<b>2323.8</b>	<b>2531.9</b>	<b>2471.5</b>
<b>TOTAL ASSETS</b>	<b>2530.6</b>	<b>2578.5</b>	<b>2392.2</b>	<b>3678.1</b>	<b>3878.0</b>	<b>3856.3</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>Equity attributable to share holders</b>						
Issued, Subscribed & paid up capital	88.6	88.6	88.6	191.2	1042.1	1042.1
Share Money Reserve	449.7	443.2	443.2	476.9	33.7	0.0
Revaluation Reserve	384.8	377.8	376.2	609.1	554.3	552.7
Retained earnings	-55.5	18.7	32.4	157.7	303.6	353.8
<b>Total Shareholders equity</b>	<b>867.6</b>	<b>928.3</b>	<b>940.4</b>	<b>1434.9</b>	<b>1933.7</b>	<b>1948.5</b>
<b>NON-CURRENT LIABILITIES</b>						
Long Term Foreign Loan	38.5	38.5	38.5	38.5	0.0	0.0
Deferred Tax Liability	82.9	81.7	81.2	131.2	119.5	119.2
Obligation under Finance Lease	0.0	0.0	0.0	0.0	4.5	4.0
<b>Total non-current liabilities</b>	<b>121.4</b>	<b>120.2</b>	<b>119.7</b>	<b>169.7</b>	<b>124.0</b>	<b>123.2</b>
<b>CURRENT LIABILITIES</b>						
Trade & other Payables	1081.8	919.6	561.1	867.6	1043.9	968.9
Short Term Bank Loan	412.4	549.7	702.0	1110.9	637.8	652.7
Liabilities for Expenses	47.5	60.7	69.1	95.0	136.9	127.6
Obligation under Finance Lease-Current Portion	0.0	0.0	0.0	0.0	1.7	1.8
Loan from shareholders	0.0	0.0	0.0	0.0	0.0	33.7
<b>Total Current Liabilities</b>	<b>1541.7</b>	<b>1530.0</b>	<b>1332.1</b>	<b>2073.5</b>	<b>1820.4</b>	<b>1784.6</b>
<b>Total Liabilities</b>	<b>1663.0</b>	<b>1650.2</b>	<b>1451.8</b>	<b>2243.2</b>	<b>1944.4</b>	<b>1907.8</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>2530.6</b>	<b>2578.5</b>	<b>2392.2</b>	<b>3678.1</b>	<b>3878.0</b>	<b>3856.3</b>

\*Shepherd Industries Limited was amalgamated by the scheme of amalgamation with Shepherd Yarn Limited by the order of the Honorable High Court of Supreme Court of Bangladesh dated December 15, 2014; with effect from April 01, 2015. Financial position FY15 12M \* had been prepared for incorporating the effect of said amalgamation.

Source: LBSL Research and Company Prospectus

**Table 9: Income Statements (Amount in BDT mn)**

Particulars	FY13	FY14	FY15	FY16	FY16
	Jan'13-Dec'13	Jan'14-Dec'14	Apr'14-Mar'15	Apr'15-Mar'16	Apr'16-Jun'16
Sales Revenue	1878.5	1780.8	390.1	2636.6	756.9
Cost of Sales	1667.2	1576.7	346.9	2331.7	669.4
<b>Gross Profit</b>	<b>211.3</b>	<b>204.1</b>	<b>43.2</b>	<b>304.9</b>	<b>87.5</b>
<b>FC Gain/(Loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.8</b>	<b>-9.6</b>
Less: Operating Expenses	28.9	22.7	7.7	51.2	14.3
Administrative expenses	26.6	21.2	7.4	42.5	12.3
Selling , Marketing & Distribution Expenses	2.2	1.4	0.3	8.7	2.0
<b>Operating Profit for the Year</b>	<b>182.4</b>	<b>181.4</b>	<b>35.5</b>	<b>262.4</b>	<b>63.6</b>
Add: Other Income	7.6	5.3	0.7	8.8	12.5
<b>Profit Before Financial Expenses and Tax</b>	<b>190.0</b>	<b>186.7</b>	<b>36.3</b>	<b>271.2</b>	<b>76.0</b>
Less: Financial Expenses	135.8	94.9	22.0	124.0	16.1
<b>Net profit before tax</b>	<b>54.2</b>	<b>91.8</b>	<b>14.3</b>	<b>147.2</b>	<b>59.9</b>
Less: Income tax expense	19.2	15.5	2.3	15.9	11.7
<b>Net profit/(Loss) after Tax for the Year</b>	<b>35.0</b>	<b>76.3</b>	<b>12.0</b>	<b>131.3</b>	<b>48.2</b>

**Table 11: Key Ratios**

Particulars	FY13	FY14	FY15	FY16	FY16
	Jan'13-Dec'13	Jan'14-Dec'14	Apr'14-Mar'15	Apr'15-Mar'16	Apr'16-Jun'16
Gross Profit Margin	11.2%	11.5%	11.1%	11.6%	11.6%
Operating Profit Margin	9.7%	10.2%	9.1%	10.0%	8.4%
Net Profit Margin	1.9%	4.3%	3.1%	5.0%	6.4%
ROE	4.0%	8.2%	0.8%	6.8%	N/A
ROA	1.4%	3.0%	0.3%	3.4%	N/A
Debt to Equity	1.9	1.8	1.6	1.0	1.0
EPS (Post-IPO)	0.3	0.6	0.1	1.1	0.4
NAVPS (Post-IPO)	7.0	7.5	11.6	15.6	15.7

Source: LBSL Research and Company Prospectus

**Table 12: Valuation Multiples at different price levels**

	BDT 10	BDT 15	BDT 20	BDT 25	BDT 30
Audited P/E*	9.46	14.19	18.92	23.65	28.38
Forward P/E**	17.48	26.22	34.96	43.70	52.44

\*Audited P/E calculated using FY16 audited numbers

\*\* Forward P/E calculated using annualizing H1FY17 earnings

Source: LBSL Research

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### LBSL Capital Market Research Department

Md. Mahfuzur Rahman                      Head of Research                      mrahman@lbsbd.com

<b>Analyst</b>	<b>Designation</b>	<b>E-mail</b>
Salma Yeasmin Xinat	Senior Research Associate	salma@lbsbd.com
Md. Rezwanaur Rahman	Senior Research Associate	rezwanur.rahman@lbsbd.com
Debashish Sutradhar	Senior Research Associate	debashish.sutradhar@lbsbd.com
Ahmed Irtiza	Research Associate	ahmed.irtiza@lbsbd.com
Quazi Naureen Ahmed	Research Associate	naureen.quazi@lbsbd.com
Salman Rahman	Research Associate	salman.rahman@lbsbd.com

### Institutional & Foreign Trade Department

Rehan Muhammad                                      Head of Business                                      rehan@lbsbd.com/rmuhammad1@bloomberg .net

### LankaBangla Securities Limited

Research & Analysis Department  
Corporate Office  
A.A. Bhaban (Level-5)  
23 Motijheel C/A  
Dhaka-1000, Bangladesh  
Phone: +880-2-9513794 (Ext-118)  
Fax: +880-2-9563902