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**Table : IPO Snapshot**

IPO Size (BDT mn)	300.00
IPO Size (Shares mn)	30.00
Face Value Per Share (BDT)	10.00
Offer Price Per Share (BDT)	10.00
Year End	June
Sector	Textile
Revenue in 2017 (BDT mn)	845.98
Net Profit in 2017 (BDT mn)	53.05
Latest EPS (Post IPO) (BDT)	0.75
Issue Date of Prospectus	12 April 2018
Subscription Open Date	14 May 2018
Subscription Close Date	22 May 2018

Source: LBSL Research and Company Prospectus

**Table : Capital Structure of the Company**

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	62.71
Capital to be issued as IPO	2.00
Paid-up Capital (after IPO)	84.71

Source: LBSL Research and Company Prospectus

**Company Overview**

SK Thread & Industries Limited started their commercial operations on June 2014 and later on changed their name to SK Trims & Industries Ltd. on April 2016. However, it was converted into public limited company on August 2017.

Main operations of the company is to manufacture all kinds of swing thread, elastic poly, carton, photo card, back board, tissue paper, gum tape etc. to support export oriented garments industry. It is a 100% export oriented company the products of which are marketed on the basis of buyer's requirement.

**Table : Revenue Contribution FY17**

Name of Products	Types of product	% Holding
Spun Polyester and Sewing Thread	Knit & Oven	80%
Textured Polyester (Synthetic Filament Yarn)	Knit / Fliss	15%

Source: LBSL Research and Company Prospectus

**Table : Current Production Capacity and Capacity Utilization Rate**

Products	Current Production Capacity	Current Utilization	Capacity Utilization rate
Spun Polyester and Sewing Thread	3,505,904.0	2,343,927.0	66.86%
Poly Core Spun	219,119.0	146,445.0	66.83%
Textured Polyester	657,357.0	434,537.0	66.10%

Source: LBSL Research and Company Prospectus

**Table : Projected Production Capacity and Capacity Utilization Rate (1 year after IPO issue)**

Products	Expected Production capacity	Expected Utilization	Capacity Utilization rate
Spun Polyester and Sewing Thread	5,258,856.0	3,418,256.0	65.00%
Poly Core Spun	328,678.0	213,641.0	65.00%
Textured Polyester	986,035.0	640,923.0	65.00%

Source: LBSL Research and Company Prospectus

**Table : Principal Suppliers of Raw Material**

Name of Principal Suppliers	Name of Raw Materials	Country of Origin
NINGBO S.DERONS IMPORT AND EXPORT CO., LTD		China
HUBEI MINGREN DONGFANG INDUSTRY AND TRADE CO., LTD.	Yarn	China
ARTWAY ENTERPRISE LIMITED		China
WUHAN YUANAO TRADING CO., LTD.		China
SPARK TRADING COMPANY		Hong Kong

Source: LBSL Research and Company Prospectus

## Principal Products and Services

SK Trims & Industries Limited is a manufacturing company that has been using modern machineries in order to manufacture all kinds of Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. for export oriented garments industry. Its products are marketed based on buyer's requirement

**Table : Use of IPO Proceeds**

Particulars	Use of IPO Proceeds in BDT mn	Use of IPO Proceeds in %
Acquisition of Machinery and Equipment	127.27	42.42%
Construction of Building & other Civil Works	148.91	49.64%
IPO Expenses	23.82	7.94%
<b>Total IPO Proceeds Utilization</b>	<b>300</b>	<b>100%</b>

Source: LBSL Research and Company Prospectus

**Table : Source and Requirement of Utilities**

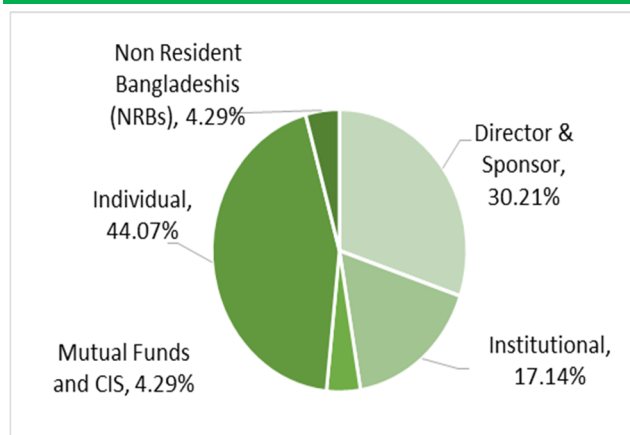
Particulars	Source
Power	Dhaka Electric Supply Company Limited (DESCO) will provide 800 KVA electricity.
Water	Not required
Gas	Not required
Contingency Plan	Currently the company is fully dependent on DESCO for power supply but it has plan to purchase and install diesel generator from IPO proceeds.

Source: LBSL Research and Company Prospectus

## Lock In

Among the 30 million shares issued 22.5 million shares have no lock in. 25% of the shares (3.25 million) allotted to Eligible Investors are locked in for 6 months (12 October 2018) and another 25% shares (3.25 million) are locked on for 9 months (12 January 2019) from the issue date of prospectus (12 April 2018). Among the pre IPO shares 21.15 million shares are locked in for 3 years (12 April 2021) from the issue date of prospectus and 18.85 million shares are locked in for 1 year (12 April 2019). On the trading day 22.5 million shares will have no lock in.

**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 Institutional Investors (ext. MF)	12,000,000	40.00%
Mutual Funds (MF)	3,000,000	10.00%
Non-Resident Bangladeshi (NRB)	3,000,000	10.00%
General Public (ext, NRB)	12,000,000	40.00%
<b>Total</b>	<b>30,000,000</b>	<b>100.00%</b>

## Business Highlights

- The company achieved exciting performance throughout the year 2017 and 2016 with topline growth of 31% in 2017 and 85% in 2016. The gross profit margin of the company increased by 21.58% YoY in 2017 while it was 21.70% during the previous year. The company had been able to sustain the continuous growth in its operating margin. The company registered 15.41% YoY growth in its operating margin. The bottom-line growth also remained exciting during the year with 11.56% growth from the previous year.
- Both the ROAE and ROAA growth rate of the company declined in 2017 from the previous year. During 2017 the ROAE and ROAA amounted to 10.37% and 8.97% respectively those were 14.31% and 9.38% respectively in 2016. During 2017 the company has experienced radical improvement in its debt-equity ratio. The debt-equity ratio of the company declined to 2.04% from 159.05% from the previous year.
- At the end of year 2017 the pre IPO EPS of the company amounted to BDT 1.33 while the post IPO EPS was BDT 0.76. During 2016 the pre IPO EPS was BDT 1.03. The post IPO EPS has been calculated with total 70 million post IPO number of shares.

**Table : Value with pre-IPO and post IPO EPS (Amount in BDT)**

Particulars	5	10	15	20	25
Expected P/E ratios					
EPS (pre-IPO)	1.33	1.33	1.33	1.33	1.33
EPS (post-IPO)	0.76	0.76	0.76	0.76	0.76
<b>Value with pre IPO EPS</b>	<b>6.65</b>	<b>13.30</b>	<b>19.95</b>	<b>26.60</b>	<b>33.25</b>
<b>Value with Post IPO EPS</b>	<b>3.79</b>	<b>7.58</b>	<b>11.37</b>	<b>15.16</b>	<b>18.95</b>

*Note: Pre-IPO and post-IPO EPS of 2017 has been considered to derive prices.*

*Source: LBSL Research and Company Prospectus*

**Statement of profit or loss (Amount in BDT mn)**

Particulars	30 June 2017	30 June 2016	30 June 2015
Revenue	458.98	349.38	188.47
Less: Cost of goods sold	359.93	273.55	147.40
<b>Gross Profit</b>	<b>99.06</b>	<b>75.83</b>	<b>41.07</b>
Less: Operating expenses	28.32	21.84	18.10
<b>Profit from Operation</b>	<b>70.74</b>	<b>53.99</b>	<b>22.97</b>
Add: Other Income	0.56	0.22	
Less: Finance Cost	3.65	4.29	3.55
Profit before Contribution to WPPF	67.65	49.92	19.42
Less: Contribution to WPPF	3.22		
<b>Profit before Income Tax</b>	<b>64.43</b>	<b>49.92</b>	<b>19.42</b>
Less: Income Tax Expenses	11.37	8.77	3.40
Current Tax	6.26	5.74	1.28
Deferred Tax	5.11	3.03	2.12
<b>Net Profit After Tax</b>	<b>53.05</b>	<b>41.14</b>	<b>16.02</b>
<b>Earnings per share (Pre IPO)</b>	<b>1.33</b>	<b>1.03</b>	<b>0.40</b>
<b>Earnings per share (Post IPO)</b>	<b>0.76</b>	<b>0.59</b>	<b>0.23</b>

*Source: LBSL Research and Company Prospectus*

## Statement of Financial Position (Amount in BDT mn)

Particulars	30 June 2017	30 June 2016	30 June 2015
Non Current Assets	393.53	146.16	93.79
Property, Plant & Equipment	393.53	146.16	93.79
Current Assets	197.78	139.40	79.98
Inventories	71.62	58.51	46.61
Trade and other Receivables	91.99	75.85	29.21
Advances, Deposits and Prepayments	9.36	4.75	3.58
Cash and Cash Equivalents	24.81	0.28	0.58
<b>Total Assets</b>	<b>591.31</b>	<b>285.56</b>	<b>173.77</b>
<b>Shareholder's Equity</b>	<b>511.49</b>	<b>63.37</b>	<b>22.12</b>
Share Capital	400.00	5.00	5.00
Retained Earnings	111.31	58.26	17.12
Other Comprehensive Income/(Loss)	0.17	0.11	
<b>Non-Current Liabilities</b>	<b>10.41</b>	<b>100.78</b>	<b>73.14</b>
Long Term Loan		1.52	1.97
Share Money Deposit		48.96	23.90
Vendor's Account		45.00	45.00
Deferred Tax Liability	10.41	5.30	2.27
Current Liabilities	69.41	121.41	78.52
Short Term Borrowings	31.71	102.70	74.18
Liabilities for Expenses	18.91	9.25	3.53
Liabilities for WPPF	3.22		
Trade and Other Payables	15.57	9.46	0.82
<b>Total Shareholders Equity and Liabilities</b>	<b>591.31</b>	<b>285.56</b>	<b>173.77</b>
<b>Net Asset Value (NAV) per Share</b>	<b>12.79</b>	<b>126.73</b>	<b>44.23</b>

Source: LBSL Research and Company Prospectus

## Table : Key Ratios

Particulars	30 June 2017	30 June 2016	30 June 2015
Gross Profit Margin	21.58%	21.70%	21.79%
Operating Profit Margin	15.41%	15.45%	12.19%
Net Profit Margin	11.56%	11.78%	8.50%
ROAE	10.37%	14.31%	37.49%
ROAA	8.97%	9.38%	6.98%
Debt to Equity	2.04%	159.05%	330.67%

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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