

DSE Ticker	: ESQUIRENIT	IPO Size	: BDT 349 mn	Analyst
Bloomberg Code	: ESQUIREN	No Lock in on first trading day	: 24.5 mn shares	Sk. Tashrif Uddin
Sector	: Textile	Offer price for General Public	: BDT 40	Tashrif.uddin@lbsbd.com

Table : IPO Snapshot

IPO Size (BDT mn)	349
IPO Size (Shares mn)	35
Face Value Per Share (BDT)	10
Offer Price Per Share (BDT) for EI	45
Offer Price Per Share (BDT) for GP	40
Year End	June
Sector	Textile
Revenue in 2017 (BDT mn)	4,453.55
Net Profit in 2017 (BDT mn)	312.15
Latest EPS Annualized (Post IPO) (BDT)	3.0
Issue Date of Prospectus	13-Dec-18
Subscription Open Date	06-Jan-19

Source: LBSL Research and Company Prospectus

Company Overview

Esquire Knit Composite Limited (EKCL), a composite RMG company, was established as a private limited company in Bangladesh on February 16, 2000, and its operations commenced in 2001. Its main factory is located in Kanchpur, Sonargaon, Narayangonj with an area of 614,449 sq. ft.

EKCL is a 100% export-based business that produces readymade knit garments through its six units namely, knitting units, fabric dyeing unit, printing, embroidery, industrial laundry and garments units. It sells finished product such as Basic Shirt, Polo shirt and Fancy Shirt to the foreign buyers including C&A buying KG, Best seller, Mascot, Tchibo, Esprit, Tee Jays, Celio, Next and many more.

EKCL is setting up a new plant estimated to increase production capacity – knitting and dyeing by 12,000 MT per annum while apparel making by 45.0 million pieces per annum.

Table : Projected Production Capacity and Utilization Rate

Activity	Capacity to be increased / day		
	Year-1	Year-2	Year-3
Yarn Dyeing	9,000 Kg	11,454 kg	12,272 Kg
Washing	80,000 Pcs	101,816 Pcs	109,086 Pcs
All over Fabric Printing	18,000 Kg	22,909 Kg	24,545 Kg
Fabric Dyeing	56,000 Kg	71,271 Kg	76,360 Kg
Knitting	55,000 Kg	69,999 Kg	75,000 Kg
Knit Garments	2,00,000 pcs	254,540 Pcs	272,714 Pcs

Projected Utilization

Products	55%	70%	75%
Knit Fabrics (KG)	9240000	11,760,000	12,600,000
Washing (Pcs)	13200000	16,800,000	18,000,000
Fabric Printing (KG)	2970000	3,780,000	4,050,000
Yarn Dyeing (KG)	1485000	1,890,000	2,025,000

Source: LBSL Research and Company Prospectus

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

Products	Installed Capacity	Actual Production	Utilization rate
Textile	8,030,000 kg	5,969,502	74.34%
Apparel	24,960,000 pcs	17,808,384	71.35%

Source: LBSL Research and Company Prospectus

Table : Principal Suppliers of Raw Material (Yarn)

Items of Raw Materials	Name & address of principal Suppliers	
	Foreign Suppliers:	Local Suppliers:
Yarn	Lucky Spinning Co. Ltd.	
	VardhamanPolytex Ltd.	Asia Composite Mills Ltd.,
	RSWM	KAMAL YARN LIMITED,
	Winsome Textile Industries Ltd.	RMT Textile Mills Ltd,
	PT EmbeePlumbonTekstil	Prime Melange Yarn Mills Ltd.
Dyes and Chemicals	PT Ramagloria Sakit Tekstil Industri.	
	Bezema AG, Switzerland	
	Dystar Singapore Pte Ltd.	ASM Chemical Industries Limited,
	Dyes and Chemicals	
	CHT R. BeitlichGmbh	Fair Chemicals
Accessories and Packing Material	T &T Industries Corp.	
	Huntsman (Singapore) Pte Ltd.	
	ACE TREND LTD	Esquire Accessories Ltd.,
	SK Fashion International	Uniglory Paper & Packaging Ltd.,
	King Choice Group Ltd.	Checkpoint systems (BD) Ltd.
	Eastern Hill (Far East) Ltd.	
	SML (Far East) Pte Ltd.	

Source: LBSL Research and Company Prospectus

Principal Products and Services

The principle products of the company are the Polo Shirts, Basic T-Shirts, Fancy Shirts. Basic raw materials are imported from Thailand, India, Indonesia, Switzerland, Singapore, Taiwan and Germany.

Table : Use of IPO Proceeds

Particulars	Use of IPO Proceeds in BDT mn	Use of IPO Proceeds in %
Procurement of Garments machineries for new project at Valuka , Mymensingh	431.4	28.8%
Buildings and Civil Construction at Valuka, Mymensingh	1,004.2	66.9%
IPO Expenses	64.4	4.3%
Total IPO Proceeds Utilization	1500	100.0%

Source: LBSL Research and Company Prospectus

Table : Revenue Contribution FY17

Name of product	Exporting country	Major buyers name
Polo Shirt	EU nations, South Africa, North America	C&A, Strauss, Esprit, Tchibo, Pull & Bear, Ostin, Adler, Select, Tee Jays, Next, Celio, Best -Seller (DK), Mascot
Basic T-Shirt	EU nations, North America, China, Australia, South Africa	
Fancy Shirt	EU nations, China, South Africa, North America, Australia,	

Source: LBSL Research and Company Prospectus

Table : Capital Structure of the Company

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	1000
Capital to be issued as IPO	349
Paid-up Capital (after IPO)	1349

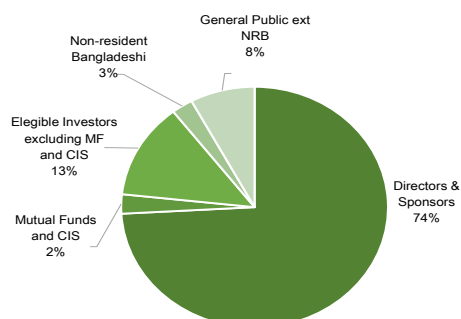
Source: LBSL Research and Company Prospectus

Lock-in Period

92,937,313 shares held by Sponsors/Directors are locked-in until 13 December 2021, and 7,062,687 shares held by private placement in Pre-IPO period is locked-in until 13 December 2019.

25% shares of Mutual Fund and Eligible Investors (5,208,333 shares) are locked-in until 13 September 2019, and another 25% (5,208,333 shares) is locked-in until 13 June 2019. To be precise, 24,479,167 shares will have no lock-in provision on the first trading day.

Chart : Shareholding Pattern (Post IPO)



Source: LBSL Research and Company Prospectus

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

Particulars	Number of shares	Percentage of holding
Eligible investors ext. MF	17,343,749	49.70%
Mutual Fund and CIS	3,489,583	10.00%
Non-resident Bangladeshi (NRB)	3,489,583	10.00%
General Public ext. NRB	10,572,918	30.30%
Total number of IPO shares	34,895,833	100.00%

Source: LBSL Research and Company Prospectus

Business Highlights

- The company achieved stable performance throughout the year 2017 with bottom-line growth of 2%.
- The gross profit margin of the company decreased by 10.74% from the earlier period. During the period the return on average equity was 7.1% where it was 3.7% in the previous year. At the end of 2017 the company's return of average asset was 4.4% that was 2.3% in 2016.
- The debt to equity ration of the company has been unchanged for previous couple of years at 0.6. This shows that the company has increased asset and leverage contribution in its capital structure at the same proportion.
- At the end of year 2017 the post IPO EPS of the company amounted to BDT 2.3 while EPS was BDT 2.2 in FY 2016 registering a YoY growth of 4.5%.
- 100% of the total revenue of the company comes from Polo Shirts, Basic T-Shirts, Fancy Shirts. Esquire Knit Composite Limited doesn't have any associates, subsidiary or holding company.

Table : Price with post-IPO EPS (Amount in BDT)

Latest EPS	3.0	3.0	3.0	3.0	3.0
P/E ratios	5.0	10.0	15.0	20.0	25.0
Price per share	15.1	30.2	45.3	60.4	75.5

Source: LBSL Research and Company Prospectus

Table : Income Statements (Amount in BDT mn)

Particulars	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Sales	4,028.2	4,326.7	4,385.4	2,478.4	4,453.5
Less: Cost of Goods Sold	3,241.3	3,438.5	3,426.1	1,903.6	3,531.7
Gross Profit	786.9	888.2	959.4	574.8	921.9
Less: Operating Expenses	417.3	458.2	528.8	314.8	405.8
Operating Income	369.6	430.1	430.6	260.0	516.1
Less: Financial Expenses	112.0	139.6	146.7	62.7	118.3
Net Operating Income	257.6	290.5	283.9	197.3	397.8
Add: Other non-operation Income	12.0	7.7	5.7	4.1	5.5
Less: Loss on sale of property, plant & equipment	0	0	0	0	0
Less: Loss on sale of Investment in shares	0	0	0	0	0
Profit before WPPF and provision for income Tax	269.7	298.2	289.6	201.4	403.3
Contribution to WPPF and welfare fund	0	14.2	13.8	9.6	20.2
Provision for loss on investment in shares	0	0	0	0	0
Profit before Tax	269.7	284.0	275.8	191.8	383.1
Less: Provision for Income Tax	25.7	25.2	25.3	38.4	71.0
Net Profit after Tax	243.9	258.8	250.5	153.5	312.1
Earnings per Share Par Value of TK. 10/-	1.8	1.9	1.9	1.1	2.3

*Note: EPS has been calculated with post-IPO number of shares and latest EPS is annualized

Source: LBSL Research and Company Prospectus

Table: Statement of financial position (Amount in BDT mn)

Particulars	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Assets					
Non-Current Assets	3,295.1	3,760.4	3,858.2	3,890.1	3,965.8
Property, Plant & Equipment	3,230.2	3,541.2	3,830.5	3,845.2	3,965.2
Investment property	0.0	0.0	0.0	0.0	0.0
Capital Work In Progress	64.8	219.2	27.7	44.9	0.6
Investment in Share	0.0	0.0	0.0	0.0	0.0
Current Assets	2,022.5	2,786.1	2,676.8	2,857.3	3,325.7
Inventory	1,225.4	1,739.1	1,671.7	1,826.0	2,003.2
Trade and Other Receivable	570.5	590.3	506.5	640.1	836.0
Advances, Deposits and Prepayments	142.4	268.4	289.0	247.3	327.5
Investment	64.2	161.8	123.5	88.6	92.8
Cash and Cash Equivalents	20.0	26.5	86.2	55.3	66.2
Total Assets	5,317.6	6,546.5	6,535.0	6,747.3	7,291.5
Shareholders Equity & Liabilities					
Shareholders' Equity	3,464.2	3,730.3	4,117.6	4,271.0	4,583.2
Share Capital	86.4	99.8	600.0	600.0	1,000.0
Revaluation surplus	2,069.4	2,069.4	1,986.6	1,986.6	1,986.6
Tax holiday reserve	0.0	0.0	0.0	0.0	0.0
Retained Earnings	1,308.4	1,561.1	1,531.0	1,684.4	1,596.6
Non-Current Liabilities	263.1	959.5	570.9	512.6	446.5
Long Term Loan from Bank	86.5	733.9	475.8	413.6	314.9
Share money deposit	169.1	219.6	0.0	0.0	0.0
Deferred Tax liabilities	0.0	0.0	82.8	82.8	107.8
Finance lease obligation net off current maturity	7.5	6.1	12.3	16.2	23.8
Current Liabilities	1,590.3	1,856.7	1,846.6	1,963.6	2,261.9
Trade and Other Payable	501.3	725.7	716.1	734.9	761.7
Current portion of Long Term Loan	86.6	339.7	236.0	140.8	190.8
Short term Loan from Bank	887.8	649.7	711.9	860.0	1,038.6
Current portion of finance lease obligation	2.6	3.2	3.4	8.3	21.1
Liabilities for expenses	112.1	138.4	179.2	219.7	249.7
Provision for Income Taxes	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity & Liabilities	5317.6	6546.5	6535.0	6747.3	7291.5

Source: LBSL Research and Company Prospectus

Table : Key Ratios

Particulars	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Gross Profit Margin	19.5%	20.5%	21.9%	23.2%	20.7%
Operating Profit Margin	9.2%	9.9%	9.8%	10.5%	11.6%
Net Profit Margin	6.1%	6.0%	5.7%	6.2%	7.0%
ROAE	7.0%	7.2%	6.4%	3.7%	7.1%
ROAA	4.6%	4.4%	3.8%	2.3%	4.4%
Debt to Equity(Times)	0.5	0.8	0.6	0.6	0.6

Source: LBSL Research and Company Prospectus

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