

DSE Ticker	: NEWLINE	IPO Size	: BDT 300 mn	Analyst Sk. Tashrif Uddin tashrif.uddin@lbsbd.com
Issue date	: 24-Jan-19	No Lock in on first trading day	: 22.5 mn shares	
Sector	: Textile	Offer price	: BDT 10	

**Table : IPO Snapshot**

IPO Size (BDT mn)	300
IPO Size (Shares mn)	30
Face Value Per Share (BDT)	10
Offer Price Per Share (BDT)	10
Year End	June
Sector	Textile
Revenue in 2017 (BDT mn)	2,081.8
Net Profit in 2017 (BDT mn)	76.9
Latest EPS Annualized (Post IPO) (BDT)	1.1
Issue Date of Prospectus	24-Jan-19
Subscription Open Date	18-Feb-19
Subscription Close Date	28-Feb-19

Source: LBSL Research and Company Prospectus

**Table : Current Production Capacity and Capacity Utilization Rate (30.06.2017)**

Products (Pcs in lac)	Installed Capacity	Actual Production	Capacity Utilization rate
Garments (Woven)	84.0	64.4	76.7%

Source: LBSL Research and Company Prospectus

**Table: Major Customers**

Name of the customer	Country
G. Gueldenpfenning Gmbh	Germany
Baumhueter	Germany
Simple Approach Ltd (Norwest)	Hong kong
Lidl Hong Kong Ltd	Hong kong

Source: LBSL Research and Company Prospectus

**Company Overview**

New Line Clothings Ltd, located in Kaliakair, Gazipur, has been using sophisticated machineries and technologies in order to produce high quality yarn dyed woven fabric. The Company is appreciated to be competitive over the competitors in the market because of latest machineries and technologies.

The company offers complete apparel sourcing and thereby allowing us to offer an expansive array of products, taking advantage of strengths, skills and price advantages offered by each country. It has already proudly heralded its presence in the potential markets of Germany, UK and Australia.

New Line Clothings Ltd was incorporated on May 23, 2000; commenced its commercial operation on March 01, 2007 and converted into public limited company on September 30, 2013.

**Table : Capital Structure of the Company**

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	399.0
Capital to be issued as IPO	300.0
Paid-up Capital (after IPO)	699.0

Source: LBSL Research and Company Prospectus

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

Date	Installed Capacity (Pcs)	Capacity Utilization (Pcs)	Utilization Rate
30 June, 2018	96.6 lac	72.5 lac	75.0%
30 June, 2019	115.9 lac	87.0 lac	75.0%
30 June, 2020	133.3 lac	106.6 lac	80.0%

Source: LBSL Research and Company Prospectus

**Table : Major Revenue Contribution FY17**

Name of Product	Income	Percentage	Sales	Percentage
5 Pocket Basic Trouser (Mens)	19,067,417	21.5%	696,720,880	33.5%
5 Pocket Basic Trouser ( Women's)	19,992,066	22.2%	409,315,975	19.7%
5 Pocket Basic Trouser ( Kids)	17,394,176	19.4%	374,782,025	19.4%

Source: LBSL Research and Company Prospectus

### Principal Products and Services

The principle products of the company are Ladies and Gents Trousers, Jackets & Vests, Work wear, Trekking Jeggings, Leggings uniforms, Sports wear, Jeans, Trousers, Cargo Pants, Cargo Shorts, Bermuda Shorts, Skirts Trousers, Shirts and Blouse/Tunica exported to Germany, UK, Netherland, Canada, Spain, Australia, Denmark, Check Republic and France.

**Table : Use of IPO Proceeds**

Particulars	Use of IPO Proceeds in BDT mn	Use of IPO Proceeds in %
Acquisition of Plant & Machinery	117.7	39.2%
Extension of Factory Building	76.4	25.5%
Loan Repayment	90.0	30.0%
IPO Expenses	15.9	5.3%
<b>Total IPO Proceeds Utilization</b>	<b>300.0</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

**Table : Source and Requirement of Utilities**

Particulars	Source & Requirements
Power	The required power for production is 379 KW through Bangladesh Rural Electrification Board.
Gas	NLCL's manufacturing operation depends on Gas supply from Titas Gas Transmission & Distribution Company Ltd.
Water	The company has own deep tube well having capacity of 50,000 Liter (Hourly) to meet up the internal requirement.

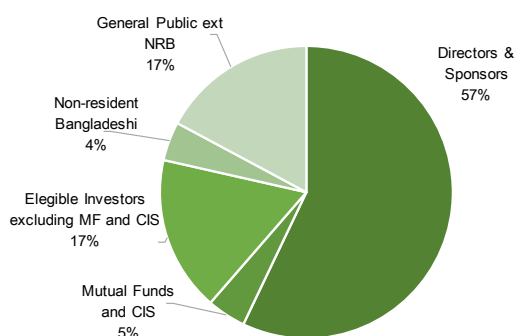
Source: LBSL Research and Company Prospectus

### Lock-in Period

21,546,000 shares held by Sponsors/Directors are locked-in until 24 January 2021, and 18,354,000 shares held by private placement in Pre-IPO period is locked-in until 24 January 2019.

25% shares of Mutual Fund and Eligible Investors (3,750,000 shares) are locked-in until 24 July 2019, and another 25% (3,750,000 shares) is locked-in until 24 October 2019. To be precise, 22,500,000 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
EI excluding mutual funds and CIS	12,000,000	40.0%
Mutual Fund and CIS	3,000,000	10.0%
Non-resident Bangladeshi (NRB)	3,000,000	10.0%
General Public ext. NRB	12,000,000	40.0%
<b>Total number of IPO shares</b>	<b>30,000,000</b>	<b>100.0%</b>

Source: LBSL Research and Company Prospectus

### Business Highlights

- The company achieved outstanding performance throughout the year 2017 with topline and bottom-line growth of 29.5% and 52% respectively.
- The gross profit margin of the company increased by 6.6% from the earlier period. During the period the return on average equity was 6.3% where it was 4.4% in the previous year. At the end of 2017 the company's return of average asset was 3.0% that was 2.1% in 2016.
- The debt to equity ratio of the company increased to 1.2 times from 1.1 times in the earlier periods. Overall, the scenario of debt contribution in the capital structure of the company has gradually increased over last couple of years.
- At the end of year 2018 the post IPO EPS of the company amounted to BDT 1.12 while EPS was BDT 1.10 in FY 2017 registering a YoY growth of 1.8%.
- Key raw materials are Fabrics, Button, Zipper, button etc. supplied from China, Bangladesh, Pakistan, Hong Kong.

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

Latest EPS	1.12	1.12	1.12	1.12	1.12
P/E ratios	5.0	10.0	15.0	20.0	25.0
<b>Price per share</b>	<b>5.6</b>	<b>11.2</b>	<b>16.8</b>	<b>22.4</b>	<b>28.0</b>

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	1,673.5	1,977.9	1,736.3	1,607.5	2,081.8
Less: Cost of Goods Sold	1,434.9	1,694.6	1,486.3	1,354.4	1,812.0
<b>Gross Profit</b>	<b>238.6</b>	<b>283.2</b>	<b>249.9</b>	<b>253.1</b>	<b>269.8</b>
Less: Operating Expenses	21.9	73.5	104.2	107.7	118.3
<b>Operating Income</b>	<b>216.7</b>	<b>209.7</b>	<b>145.7</b>	<b>145.3</b>	<b>151.5</b>
Less: Financial Expenses	76.8	49.5	72.8	78.5	79.7
Net Operating Income	139.9	160.2	72.9	66.9	71.8
Add: Other non-operation Income	0.0	0.0	0.0	1.5	18.1
Less: Loss on sale of property, plant & equipment	0.0	0.9	0.0	0.0	0.0
Less: Loss on sale of Investment in shares	0.0	0.0	0.0	0.0	0.0
Profit before WPPF and provision for income Tax	139.9	159.3	72.9	68.4	89.9
Contribution to WPPF and welfare fund	6.7	7.6	3.5	3.3	4.3
Provision for loss on investment in shares	0.0	0.0	0.0	0.0	0.0
<b>Profit before Tax</b>	<b>133.2</b>	<b>151.7</b>	<b>69.4</b>	<b>65.1</b>	<b>85.6</b>
Less: Provision for Income Tax	13.4	13.8	12.1	14.5	8.7
<b>Net Profit after Tax</b>	<b>119.8</b>	<b>137.9</b>	<b>57.3</b>	<b>50.6</b>	<b>76.9</b>
<b>EPS (BDT)</b>	<b>1.71</b>	<b>1.97</b>	<b>0.82</b>	<b>0.72</b>	<b>1.10</b>

\*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
<b>Assets</b>					
<b>Non-Current Assets</b>	<b>904.0</b>	<b>881.8</b>	<b>955.4</b>	<b>983.8</b>	<b>1,063.7</b>
Property, Plant & Equipment	904.0	881.8	955.4	983.8	1,063.7
Investment property	0.0	0.0	0.0	0.0	0.0
Capital Work In Progress	0.0	0.0	0.0	0.0	0.0
Investment in Share	0.0	0.0	0.0	0.0	0.0
<b>Current Assets</b>	<b>1,022.7</b>	<b>1,248.8</b>	<b>1,291.4</b>	<b>1,491.2</b>	<b>1,665.0</b>
Inventory	435.5	546.5	652.6	694.5	782.4
Trade and Other Receivable	399.5	507.9	493.1	495.3	512.3
Advances, Deposits and Prepayments	62.7	56.2	143.2	254.6	274.6
Deposit for BBL/C	97.1	136.1			
Cash and Cash Equivalents	27.8	2.1	2.5	46.7	95.8
<b>Total Assets</b>	<b>1,926.7</b>	<b>2,130.7</b>	<b>2,246.8</b>	<b>2,475.0</b>	<b>2,728.7</b>
<b>Shareholders Equity &amp; Liabilities</b>					
<b>Shareholders' Equity</b>	<b>1,035.6</b>	<b>1,168.4</b>	<b>1,134.4</b>	<b>1,184.9</b>	<b>1,261.8</b>
Share Capital	99.0	99.0	99.0	399.0	399.0
Revaluation surplus	633.1	598.3	485.8	464.9	443.2
Tax holiday reserve	0.0	0.0	0.0	0.0	0.0
Retained Earnings	303.5	471.1	549.6	321.1	419.6
<b>Non-Current Liabilities</b>	<b>439.4</b>	<b>546.3</b>	<b>452.8</b>	<b>379.3</b>	<b>314.8</b>
Long Term Loan from Bank	439.4	546.3	362.5	287.3	224.8
Share money deposit					
Deferred Tax liabilities			90.3	92.0	90.0
<b>Current Liabilities</b>	<b>451.7</b>	<b>415.9</b>	<b>659.7</b>	<b>910.7</b>	<b>1,152.1</b>
Trade and Other Payable	8.8	5.6	3.1	5.6	1.9
Accrued Expenses	6.4	6.3	8.8	15.5	11.6
Bank Overdraft	81.9	80.1	60.3	27.4	19.1
Current portion of Long Term Loan	0.0	0.0	103.8	126.8	109.8
Short term Loan from Bank	219.5	198.3	380.6	614.1	871.6
Deferred L/C Liabilities	97.1	70.1	27.1	20.1	11.7
Provision for WPPF & Welfare fund	6.7	14.1	17.6	20.8	25.1
Provision for Financial Expenses	31.4	41.4	51.4	61.4	71.4
Provision for Income Taxes	0.0	0.0	6.9	19.1	29.8
<b>Total Liabilities</b>	<b>891.1</b>	<b>962.2</b>	<b>1,112.4</b>	<b>1,290.0</b>	<b>1,466.9</b>
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>1,926.7</b>	<b>2,130.7</b>	<b>2,246.8</b>	<b>2,475.0</b>	<b>2,728.7</b>

Source: LBSL Research and Company Prospectus

**Table : Key Ratios**

Particulars	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Gross Profit Margin	14.3%	14.3%	14.4%	15.7%	13.0%
Operating Profit Margin	12.9%	10.6%	8.4%	9.0%	7.3%
Net Profit Margin	7.2%	7.0%	3.3%	3.1%	3.7%
ROAE	18.6%	12.5%	5.0%	4.4%	6.3%
ROAA	6.2%	6.8%	2.6%	2.1%	3.0%
Debt to Equity( Times)	0.9	0.8	1.0	1.1	1.2

Source: LBSL Research and Company Prospectus

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