

OLYMPIC INDUSTRIES LIMITED

DSE: **OLYMPIC**
BLOOMBERG: **OLYMPI:BD**

Company Overview

Olympic Industries Limited (The Company) was incorporated in 1979 as Bengal Carbide Limited and started its commercial operation in 1982. The Company was initially engaged in producing Dry cell Battery. Later on, in 1996 the Company diversified its business into biscuit and confectionery items and in 2008 entered into ball pen industry.

Currently, the Company has 9 lines of biscuit including the newly launched 8th and 9th line, 3 lines of confectionery item and 3 lines of dry-cell battery. The ball point pen unit of the Company has been closed in January 31, 2016 for less demand.

The product basket of the Company includes different types and flavors of biscuits, cookies and bakery, confectionery and different sizes of dry-cell batteries. Some of these are Energy Plus, Tip, Milk Plus, Coconut Plus, Twinkle Twinkle, Lexus, Dry Cake, Toast, Candy, Olympic battery etc. After launching of the product "Nutty Biscuit" in 2014, it shares center stage with its flagship brands like "Energy Plus Biscuit" and "Tip Biscuit". Recently, the Company received Bangladesh Brand Forum's Best Biscuit award for Energy Plus Biscuit, the flagship product. The Company has also recently launched soft cake, a fresh sliced cake packaged in metalized packaging bearing the Olympic logo.

The major ingredients used in biscuit manufacturing are wheat, palm oil and sugar. Bangladesh is not a substantial producer of these commodities. The Company procures these raw materials from local importers.

Olympic Industries is currently the market leader in the biscuit market and in the second position in the battery market in Bangladesh. It also enjoys economies of scale compared to other competitors in the industry. The production facilities of the Company are situated at Kanchpur and Bondar of Narayanganj.

Revenue Composition & Growth:

	Contribution	Growth			
	2016-17	2013-14	2014-15	2015-16	2016-17
Biscuit & Confectionary	96.8%	14%	16%	24%	3%
Battery	3.2%	2%	-11%	20%	1%

Capacity Utilization:

	Installed Capacity			Utilization (%)		
	2015*	2016	2017	2015	2016	2017
Biscuit & Conf- fectionary(MT)	81,068	86,332	105,219	80%	92%	77%
Battery (mn pcs)	117.76	117.76	117.76	34%	42%	42%

*Restated installed capacity for biscuit & confectionery segment.

Shareholding Structure:

The Firm enlisted in the DSE and CSE in 1989 and 1996 respectively.

As on	Sponsor	Govt.	Instt.	Foreign	Public
31-Jul-18	27.77%	0.00%	13.45%	43.58%	15.20%
31-Dec-17	28.92%	0.00%	12.95%	43.33%	14.79%
31-Dec-16	28.92%	0.00%	19.22%	39.07%	12.79%
31-Dec-15	31.53%	0.00%	16.46%	36.29%	15.72%

Company Fundamentals

Market Cap (BDT mn)	39,907.8
Market weight	1.2%
No. of Share (in mn)	199.9
Free-float Shares (Public+Foreign+Institution)	72.2%
Paid-up Capital (BDT mn)	1,999.4
3-month Average Turnover (BDT mn)	33.1
3-month Return	-20.1%
Current Price (BDT)	199.6
52-week price range (BDT)	185.0 - 296.0
Sector's Forward P/E	18.2

	2014-15	2015-16	2016-17	2017-18 (9M Annu)
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Financial Information (BDT mn):

Sales	8,996	10,965	11,291	12,939
Gross Profit	2,658	3,691	3,767	4,184
Operating Profit	1,431	2,116	2,153	2,399
Profit After Tax	1,094	1,624	1,643	1,789
Assets	5,764	7,641	9,120	10,181
CAPEX	220	308	651	703
Long Term Debt	299	156	191	395
Short Term Debt	346	447	1,017	1,736
Equity	3,382	4,531	5,413	5,854

Margin:

Gross Profit	29.5%	33.7%	33.4%	32.3%
Operating Profit	15.9%	19.3%	19.1%	18.5%
Pretax Profit	17.2%	20.1%	19.7%	18.7%
Net Profit	12.2%	14.8%	14.6%	13.8%

Growth:

Sales	13.6%	21.9%	3.0%	14.6%
Gross Profit	16.4%	38.9%	2.1%	11.1%
Operating Profit	20.8%	47.9%	1.7%	11.4%
Net Profit	25.9%	48.4%	1.2%	8.9%

Profitability:

ROA	20.2%	24.2%	19.6%	18.5%
ROE	37.1%	41.0%	33.0%	31.8%

Operating Efficiency Ratio:

Inventory Turnover	13.2	17.1	15.4	12.0
Receivable Turnover	143.0	78.9	67.7	75.1
A/C Payable	10.4	11.9	13.6	17.5
Total Asset Turnover	1.7	1.6	1.3	1.3
Fixed Asset Turnover	6.4	6.5	6.3	6.5

Leverage:

Debt Ratio	10.3%	7.6%	13.1%	20.9%
Debt-Equity	17.5%	12.9%	22.0%	36.3%
Int. Coverage	14.3	23.6	18.2	21.5

Dividend History

Dividend (C/B)%	30/20	40/5	45/0	-/-
Dividend Yield	1.3%	1.2%	1.7%	-/-
Dividend Payout	54.8%	49.3%	54.8%	-/-

Valuation:

Price/Earnings	36.5	24.6	24.3	22.3
Price/BV	11.8	8.8	7.4	6.8
EPS (BDT)	5.5	8.1	8.2	8.9
NAVPS (BDT)	16.9	22.7	27.1	29.3

Industry Overview

The processed food industry has potential to contribute to value addition and employment value addition in Bangladesh. It accounts for over 22% of all manufacturing production and employs 20% of the manufacturing labor force.

According to Bangladesh Auto Biscuit & Bread Manufacturing Association (BABBMA), today, nearly 5,000 bread and baked goods makers, including 100 automatic and semi-automatic bakeries, are operating in the segment in the country. About 12 factories are producing HEB (High Energy Biscuits) by the support of various donors and development organizations mainly to support the government school feeding programs. Around 57% factories are concentrated in Dhaka division followed by Chittagong (14%) and rest of the manufacturing companies dispersed over the country.

The market for biscuits is now worth BDT 50,000 - BDT 60,000 million while the annual market for branded biscuits is nearly BDT 30,000 million. Biscuits are fast becoming the snack of choice for Bangladeshi consumers, enabling the market to grow 15% a year and are expected to grow at the same pace in the next 10-15 years.

Olympic is the market leader securing around 30% market share followed by Al-Amin (10.1%) and Pran (6.0%). Other participants' .e.g., Globe, Danish, Romania, New Olympia etc. held less than 5% each of the total market share in the auto biscuit business in Bangladesh.

The local firms have been able to win the confidence of consumers by improving food quality and keeping prices reasonable. As a result, they have been able to sustain their position in the market by driving away the imported products. Domestic manufacturers now meet 90-95% of demand for biscuits; some of them also export biscuits, according to the operators.

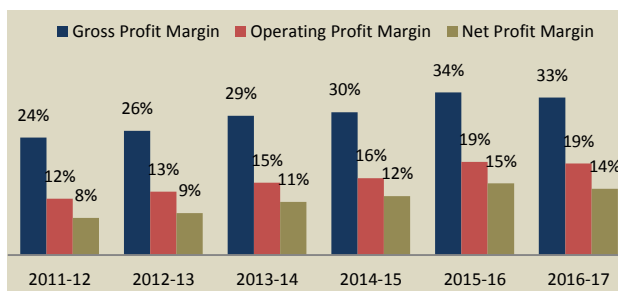
In dry-cell battery industry, Quasem Drycells Limited is the pioneer in terms of Dry-Cell Manufacturing, where it has successfully established its 'SUNLITE' brand as a leader and Olympic Industries Ltd. is in the second position in the battery market in Bangladesh.

Investment Positives

- As per DSE news published on May 03, 2018, the Company has informed the following:
 - Commercial operation of the **noodles manufacturing line** of the Company **with an estimated annual capacity of 9,000 metric tons commenced from May 01, 2018** at the Kutubpur factory of the Company.
 - Commercial operation of the **cartoon manufacturing line** of the Company has completed with corrugation and printing **with an estimated annual capacity of 66.00 million cartoons commenced from May 01, 2018** at the Kutubpur factory of the Company.
 - **Commercial operation of an additional tunnel oven to increase the annual bakery capacity of the company by 1,800 metric tons commenced from May 01, 2018** at the Madanpur factory of the Company.
 - **The Company has entered into a third party manufacturing agreement with Lucerne Cocoa & Chocolate Products Limited**, to have its Chocolate products manufactured by Lucerne. The agreement

will be for an initial period of 2 years, commencing from June 2018 for an estimated monthly production of 20 metric tons.

- **The Company has increased its production capacity by adding eighth & ninth line of biscuit with a capacity of 9,600 MT & 7,200 MT per annum respectively in 2016-17. After addition of these two lines, the production capacity of biscuit & confectionery segment stood at 105,219 MT per annum in June 2017 which is 21.88% higher over last year.** This will allow the Company to add new varieties and flavored biscuits to the existing product basket of biscuit & confectionery items.
- **In January 29, 2017, the Company started commercial operation of PET Sheet Forming and Tray making unit with an estimated capacity of 10 million trays per annum.** This unit was needed to ensure the quality and reduce the cost of trays and reduce the Company's dependence on external suppliers.
- **5 year CAGR (Compound Annual Growth Rate) of the Company's revenue and profit after tax is 13.47% & 29.0% respectively.**
- The Company has also decided to construct an 88,000 sqft building and sub-station at its Kutubpur factory premises at an estimated cost of BDT 250.00 million which will be funded by own source. This building will provide space for the installation of new machinery for future projects.
- The Company's gross profit margin has increased to 32.63% in 2016-17 which was 24.33% in 2011-12. This was because of increase in the sale of higher margin, more premium products and better procurement at better rates with better commercial terms.



- Operating cash flow per share has decreased to BDT 2.62 as of March 2018 which was BDT 10.96 in June 2016. This was because of the Company has started using the cash in more efficient ways to generate more positive operating returns. The Company found that prepaying for certain raw materials instead of buying on credit often yields better discounts. The Company will keep maintain this level.

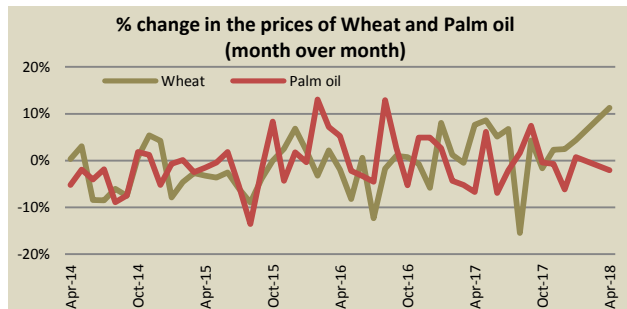
Particulars	2013-14	2014-15	2015-16	2016-17	2017-18 (Jul-Mar)
NOCFPS (BDT)	7.49	7.81	10.96	4.94	2.62

- The firm took initiative to export biscuits in 2013 and after that export market is increasing over the years. This increasing trend unveils the opportunity to utilize the increased and unutilized capacity.

Revenue	2013-14	2014-15	2015-16	2016-17	2017-18 (Jul-Mar)
Domestic (BDT mn)	7,916	8,990	10,997	11,233	9,610
Export (BDT mn)	6.8	5.9	37.9	57.6	94.0
Export (% of sales)	0.1%	0.1%	0.3%	0.5%	1.0%

Investment Negatives

- Major raw materials for the production of biscuits and confectionery are wheat, palm oil and sugar. Though the Company procures these raw materials locally, all are imported from abroad. Materials consumed accounted for 87.56% of total costs of goods sold in 2016-17. Hence, fluctuation in these commodity prices will hamper the profitability of the Company.

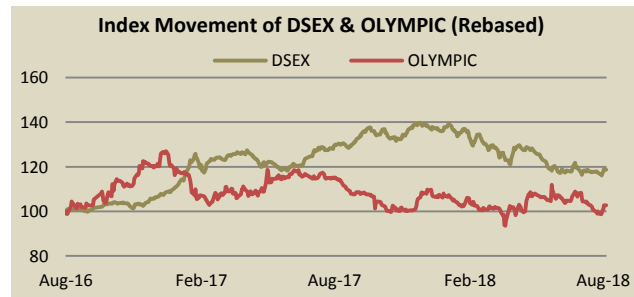
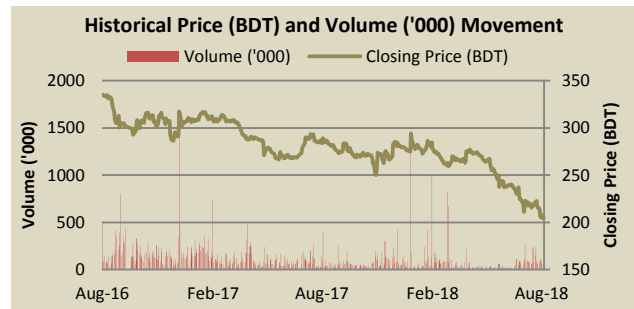
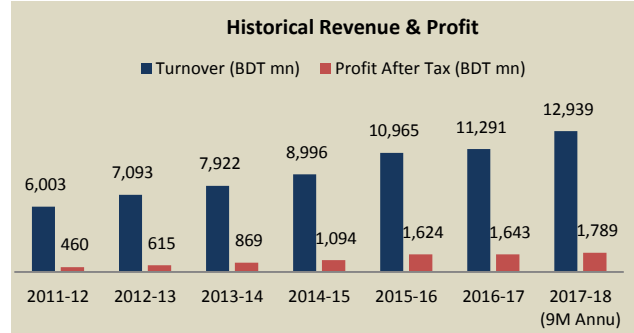
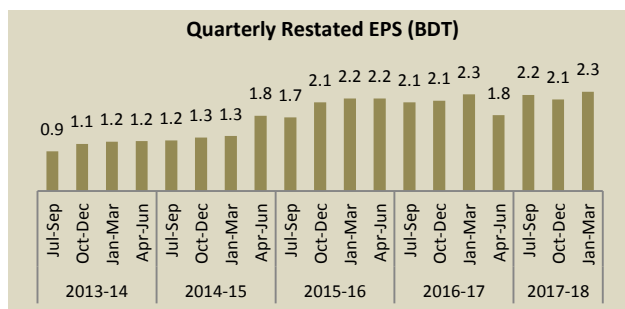


Source: Index mundi

Latest Quarter Update – March 2018 (Q 3)

Particulars (BDT mn)	Jul-Mar 2018	Jul-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
Turnover	9,704	8,494	3,217	2,885
Growth	14.3%	--	11.5%	--
Gross Profit	3,138	2,855	1,044	963
Margin	32.3%	33.6%	32.5%	33.4%
Growth	9.9%	--	8.4%	--
Operating Profit	1,799	1,705	595	585
Margin	18.5%	20.1%	18.5%	20.3%
Growth	5.5%	--	1.6%	--
Net Profit	1,342	1,288	464	451
Margin	13.8%	15.2%	14.4%	15.6%
Growth	4.2%	--	2.8%	--

- Revenue has increased by 14.3% in the nine months of 2017-18 over the same period of last year due to the increased production from increased production capacity over the same period of last year. Annual production capacity has been increased by 21.88% in 2016-17.
- Increase in cost of raw materials, factory overhead, depreciation, operating expenses and decrease of other income (mainly interest income) led to register a lower profit growth of 4.2% in the reported period than that of last year. Operating expenses increased due to the increase in salaries and allowances of employees and marketing team.
- These above mentioned reasons have squeezed the net profit margin to 13.8% in the period which was 15.2% in the same period of last year.



Concluding Remark

Olympic Industries Limited is the market leader in the biscuit industry and one of the longest running manufacturing-based companies in Bangladesh. The Company changed their business focus over the period from steel production to battery production and now to the biscuits & confectionery segment. Considering the recent expansion projects, the Company is expected to perform better in the forthcoming years.

Source: Annual Reports, newspaper news, the Company website, DSE website, www.indexmundi.com and ILSL Research

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