

**Company Overview**

Navana CNG Limited, a sister concern of Navana Group, was incorporated on April 19 2004. The principal activities of the company is conversion of petrol and diesel driven vehicles to Compressed Natural Gas (CNG) driven vehicles, CNG Re-fueling stations and other related services. It is the sole distributor of world famous CNG and LPG conversion kit (required for conversion from petrol to CNG) manufacturer LANDIRENZO, s.p.a, Italy and solely represents the renowned manufacturer of CNG re-fueling station technology Safe s.r.l, Italy. It has also collaboration with OMNITEK, USA for diesel driven vehicle conversion into CNG. Currently, the company is running with nine conversion workshops and 18 nos. of CNG re-fueling stations and grabbed more than 50% market share by selling and installing of CNG re-fueling stations.

The company has two subsidiaries – one is Navana Engineering Limited (99.99%), engaged in manufacturing polymer, plastic, PVC, pipes, tubes, fittings for household, industrial and commercial use. Another one is Navana Welding Electrode Limited (99.99%); engaged in producing welding electrode rod, welding and cutting equipment, cutting rod, welding and cutting consumables etc.

Revenue Composition & Growth			
Particulars	Revenue (BDT mn) March, 2014	% of total	Growth (YOY)
CNG conversion-net	172.5	11%	18%
CNG Sales	850.5	53%	-15%
Service Revenue-net	283.1	18%	3%
Navana Engineering	173.5	11%	126%
Navana Electrode	126.5	8%	235%
<b>Total</b>	<b>1,606.2</b>	<b>100%</b>	<b>4.4%</b>

Almost 75% of the Raw Materials, in addition to all the machineries and major Spare Parts, are imported from abroad, mainly from Italy, Brazil, USA, Argentina, India and Korea.

The company got enlisted with DSE and CSE through direct listing method in 2009. Around 42.65% of shares of the company are held by Sponsors whereas 37.59% and 19.76% are held by General and Institutional Investors respectively.

**Industry Overview**

Natural gas is the vital local source of energy that accounts for 75% of the commercial energy in Bangladesh. So far 26 gas fields have been discovered of which two of the gas fields are situated in offshore area. Bibiyana is the prime gas producing field in Bangladesh with an average production capacity of around 840 million cubic feet per day (MMCFD) from 12 gas wells and around 3,500 barrels of condensate (low-density mixture of hydrocarbon liquids) are being produced every day.

Rupantarita Pakritik Gas Company Limited (RPGCL), a company under Petrobangla, has been entrusted with the regulatory functions to manage, supervise and co-ordinate the use of CNG in Bangladesh. The company is responsible for extracting LPG from the wet gas stream and refines it for bottling and marketing. Up to 2013, there are 587 no of CNG refilling stations and 180 nos of CNG conversion workshop, 17,26,83

nos of Vehicles converted into CNG and 2,09,054 nos of total CNG run vehicles in Bangladesh.

Liquefied petroleum gas (LPG) is a flammable mixture of hydrocarbon gases used as a fuel in heating appliances and vehicles. Up to July 2013, state-owned LP Gas Ltd, a subsidiary of the Bangladesh Petroleum Corporation (BPC) produces 20,000 MT/year of LPG, while the five private companies -- Totalgaz, Kleenheat, Bashundhara, Jamuna Spacetech and Linde -- import a combined 80,000 MT/year from the spot market, taking the total available LPG supply in the country to 100,000 MT/year.

Company Fundamentals	
Market Cap (BDT mn)	4,516.0
Market weight	0.2%
Free-float (Public +Inst.)	57.4%
Paid-up Capital (BDT mn)	685.0
3 Months Average Turnover (BDT mn)	47.9
3 Months Return	-1.5%
Current Price (BDT)	65.4
52-week price range (BDT)	50.7 – 79.8
Sector Forward P/E	22.1

	2011-12	2012-13	2013-14	2014-15 (Q2 Annd.)
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Financial Information (BDT mn):				
Sales	1,449	1,538	1,606	2,219
Operating Profit	322	318	316	411
Profit After Tax	248	231	226	264
Assets	1,774	2,572	2,946	3,289
LT Debt	9	-	-	150
Equity	1,363	1,544	1,929	2,075
Div. % (C/B)	10/15	-/20	15/-	-/-

Margin:				
Gross Profit	36.0%	34.2%	32.7%	33.5%
Operating Profit	22.2%	20.7%	19.7%	18.5%
Pretax Profit	23.0%	21.3%	19.9%	16.8%
Net Profit	17.1%	15.0%	14.1%	11.9%

Growth:				
Sales	4.1%	6.1%	4.4%	38.2%
Gross Profit	-13.7%	0.9%	-0.3%	41.5%
Operating	-24.3%	-1.3%	-0.5%	30.0%
Net Profit	-17.6%	-6.9%	-2.0%	16.7%

Profitability:				
ROA	15.1%	10.6%	8.2%	8.5%
ROE	19.5%	15.9%	13.0%	13.2%

Leverage:				
Debt Ratio	35.1%	-	25.2%	28.5%
Debt-Equity	45.7%	-	38.5%	45.2%
Interest	25.0	17.2	19.4	5.7

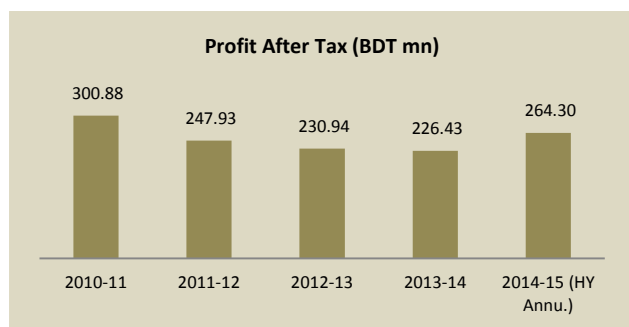
Valuation:				
Price/Earnings	17.5	18.2	19.1	17.3
Price/BV	3.4	3.0	2.4	2.2
EPS (BDT)	4.4	3.4	3.5	3.9
NAVPS (BDT)	23.8	22.5	28.1	30.3
DPS (BDT)	1	--	1.5	--

### Investment Positives

- The company is setting up a Liquefied Petroleum Gas (LPG) terminal near Mongla Port. As per Annual Report 2014, the company has started infrastructural works of the project after completion of land procurement and technical & civil works design.
- Both the subsidiaries of the company are showing outstanding performance in recent time and contribute 20% of the company's total revenue. Turnover of Navana Engineering Limited, one of the subsidiaries of the company, increased by 126% to BDT 173.52 mn in 2014 because of the increased demand of the company's products. The Management has already started BMRE program for the company. Though the Navana Electrode Limited, the other subsidiary of Navana CNG Limited, started its commercial operation from January 2013 contributed 8% of the consolidated revenue.

### Investment Negatives

- The company's operating profit and net profit margin are in declining trend due to increase in price of natural gas and overhead expenses.
- Due to shortage of gas reserve, use of CNG in vehicles is being discouraged by the Government policy. Therefore, any unfavorable decision from the Government might hamper the business of the company.
- Business of the company would be in trouble if the supply of natural gas to the distribution and sales points is interrupted.
- The company is exposed to foreign exchange risk because of purchase of raw materials from abroad. Besides, the company imports equipment from foreign sources where foreign currency is involved.

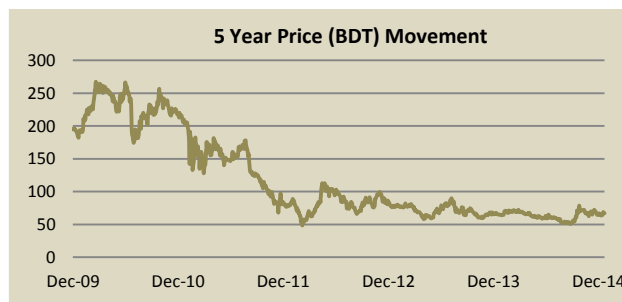


Source: DSE & ILSL Research

### ILSL Research Team:

Name	Designation
Rezwana Nasreen	Head of Research
Towhidul Islam	Research Analyst
Md. Tanvir Islam	Research Analyst
Md. Asrarul Haque	Jr. Research Analyst
Md. Imtiaz Uddin Khan	Jr. Research Analyst

For any Queries: [research@ilsbd.com](mailto:research@ilsbd.com)



Source: DSE & ILSL Research

### Pricing Based on Relative Valuation:

	Multiple	Value (BDT)
Sector Forward P/E	22.1	85.2
Sector Trailing P/E	22.7	75.0
Market Forward P/E	17.7	68.3
Market Trailing P/E	18.6	61.5
Market P/B	2.0	60.6
Sector P/B	1.8	54.5

Source: ILSL Research

### Concluding Remark

The company maintains a stable performance in terms of profitability because of its favorable market reputation for its services. *In its latest half yearly performance declaration, turnover of the company increased by 27.0% to BDT 1,109.71 mn than the same period of the previous year whereas profit after tax increased by only 4.8% due to increase in financial expenses and decrease of other income.* Its annualized EPS would be BDT 4.12. As on Date, 15 days RSI & MFI of the company were 51.42 and 60.98 respectively.

Source: Annual Reports, DSE news, Company website, the Financial Express, the Daily Star, ILSL Research