

Company Overview

MJL Bangladesh Limited (MJLBD), a Joint Venture in the downstream petroleum industry between Jamuna Oil Company Ltd. (JOCL) and EC Securities Ltd (subsidiary of the East Coast Group), was incorporated in 1998. The company started its commercial operation in 1999. The company initiated as a lubricating oil marketing company of Mobil brand but later in 2003 with the introduction of Lube Oil Blending Plant (LOBP) it also got engaged in blending lubricant and grease products. Currently the company has three subsidiaries – Omera Petroleum Ltd. (MJLBD owns 75% share), Omera Cylinders Ltd. (MJLBD owns 99.99% share) and MJL & AKT Petroleum Ltd. (MJLBD owns 51% share). The company procures base oils from ExxonMobil while the additives are sourced from other global suppliers. MJLBD's products can be categorized into three segments – Mobil brand products, Omera brand products and other brand products. Some of the products of the company are blended in the country while some finished products are imported to meet the local as well as to export in the foreign market. MJLBD uses 16 depots, 431 filling stations, 852 agents and 181 packed point dealers of JOCL to distribute its products to the major state owned industries and power plants. Other than that MJLBD distributes its products directly to the industrial buyers or through its own appointed 82 wholesalers.

In 2013, the MJLBD attained 2.77% growth in its total revenue based on the positive growth rates of Oil tanker unit (20.79%) and trading unit (9.91%) and declining growth rate of the revenue from the manufacturing unit (7.03%). Out of the total sales 49% were generated by the Industrial lubricants while commercial vehicle lubricants and private vehicle lubricants constituted 31% and 20% respectively of the total sales. In FY 2013, the company's gross profit margin increased to 20.79% from the last year's rate of 18.97% as the company purchased lower amount of raw materials for the manufacturing unit. As on December 31 2013, the company utilized 51% of its total capacity against the previous year's 56.28%.

The firm was enlisted in the DSE and the CSE in June 2011. Around 58.36% of shares of the company are held by the Sponsors, 19.45% by the Government and rest 12.91% & 9.12% are held by the Institute & General Investors respectively.

Industry Overview

The lubricant industry in Bangladesh can be segmented into three categories – industrial lubricant, commercial vehicle lubricant and private vehicle lubricant. Commercial vehicle lubricant and private vehicle lubricant accounts for 46% and 29% of the total demand for lubricants in Bangladesh while industrial sector demands 25%. The demand for industrial lubricant is mainly dominated by the energy sector while manufacturing and processing industry also contributes to it. MJLBD has provided almost 60% of all industrial lubricants during 2013 in Bangladesh. The Estimated consumption of lubricants in the country is around 1,00,000 tonnes which is expected to grow at a rate of 2.5% in the coming years. Another estimate shows that the market is worth to be BDT 2400 crore. The lubricant market is led by the MJLBD with 30% market share, followed by British Petroleum at 11%, French brand

'Total' at 5% and Shell, Castrol and Caltex with 2% each and the other 2% share has been secured by the MJLBD's subsidiary Omera Petroleum Ltd. The remaining 46% share of the market is controlled by other products. Currently there are almost 70 brands of lubricants in Bangladesh and the number is increasing day by day.

Company Fundamentals

Market Cap (BDT mn)	29,284.5
Market Weight	1.1%
No. of Shares (mn)	238.5
Free-float (Public + Inst.)	22.2
Paid-up Capital (BDT mn)	2385.0
3 Months Average Turnover (BDT mn)	175.2
3 Months Return	34.6%
Current Price (BDT)	122.8
52-week Price Range	68 – 123.5
Sector Forward P/E	14.0

	2011	2012	2013	2014 (Q 2 Annu.)
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Financial Information (BDT mn):

Net Sales	6,017	6,994	7,202	8,231
Operating Profit	709	879	968	1,854
Profit After Tax	637	651	685	1,198
Assets	11,409	11,312	14,132	16,329
Long Term Debt	175	745	425	1,426
Equity	6,872	7,212	7,780	8,093
Dividend (C/B)%	15/15	25/-	25/-	--/--

Margin:

Gross Profit	18.8%	19.0%	20.8%	27.1%
Operating Profit	11.8%	12.6%	13.4%	22.5%
Pretax Profit	15.5%	12.4%	13.3%	21.2%
Net Profit	10.6%	9.3%	9.7%	14.6%

Growth:

Sales	56.4%	16.2%	3.0%	14.3%
Gross Profit	19.1%	17.3%	12.8%	49.3%
Operating Profit	-0.7%	23.9%	10.2%	91.5%
Net Profit	25.3%	2.3%	7.4%	74.8%

Profitability:

ROA	7.7%	5.7%	5.5%	7.9%
ROE	12.6%	9.2%	9.3%	15.1%

Leverage:

Debt Ratio	28.7%	22.4%	32.2%	34.2%
Debt-Equity	47.7%	35.2%	58.4%	69.0%
Int. Coverage	1.9	2.8	3.7	9.2

Valuation:

Price/Earnings	37.4	29.19	25.6	24.4
Price/BV	3.9	3.7	3.4	3.6
EPS (BDT)	2.7	2.7	2.9	5.0
NAV Per Share	28.8	30.2	32.6	33.9

Investment Positives

- The Omera LPG Import Terminal & Bottling Plants Project, 75% owned subsidiary of MJLBD is expected to be operational by October 2014. According the feasibility report of the company, the project is expected to generate the profit of approximately BDT 170 mn. This project is aimed to meet the demand for LP Gas. The plant has a capacity of 100,000 TON/Annum.
- Omera Cylinders Ltd. another ongoing project of the company (99.99% owned) is also expected to be operational by October 2014. The company will provide cylinders to the LP gas plants. The annual capacity of the plant will be 5,00,000-5,50,000 cylinders annually.
- The company has also signed an agreement with Balmer Lawrie & Co. Ltd., a market leader in India in the production of steel barrels. The purpose of signing is to manufacture high quality steel drums for MJLBD for storing of lubricant oil. Besides, it will also meet the market demand.
- MJLBD penetrated in the Myanmar market with its subsidiary MJL & AKT Petroleum Co. Ltd. MJL & AKT petroleum imports Mobil branded products as well as lubricants produced by MJLBD.
- To support the local manufacturers of LPG cylinders, the government increased the import duty from 5% to 10%. Omera Cylinders Ltd. will be benefitted with this step.

Investment Negatives

- In FY 2013, the manufacturing unit witnessed a negative growth of 7.03% from the previous year. Sales of locally blended lubricants and export sales of lubricants decreased from the previous year.
- Shortage of gas supply and power adversely affects the industrial growth which in turn lowers the demand for the industrial lubricant consumption.
- As the lube oil blending and marketing companies are fully dependent on imported raw materials, price fluctuation of raw materials overseas will have an adverse effect on every company in this sector.

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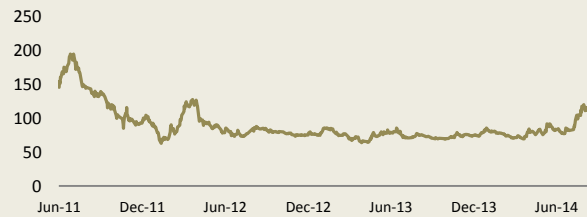
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5 Year Earnings Per Share (BDT)



Price Movement Since Listing



Pricing Based on Relative Valuation:

	Multiple	Value
Market Forward P/E	17.2	86.9
Market Trailing P/E	17.1	50.2
Sector Forward P/E	14.0	70.3
Sector Trailing P/E	13.2	38.7
Sector P/B	2.1	71.3

** The average value per share is based on the current available data only. However, two subsidiaries of the company are expected to be operational by October 2014, which will accordingly improve the earnings and so as the price.

Concluding Remark

MJLBD, a market leader in the lubricant industry, holds many projects which are expected to be fully operational within this year. All these projects may surge the EPS of the company. As per its latest half yearly financial statements, the Company reported net profit after tax of BDT 598.94 mn which was BDT 400.19 mn for the same period of the previous year registering a 50% growth due to decreasing COGS to Sales and reducing of financial expenses. As on date, the Company's RSI (15) and MFI (15) were 56.72 and 79.36 respectively.

Source: Annual Reports, the Financial Express, the Daily Star and ILSL Research, Company's concerned officials.

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