

## NURANI DYEING & SWEATER LIMITED

### Company Overview

Nurani Dyeing & Sweater Limited (NDSL) was incorporated in December 2005 and started its commercial operation on February 2009. The company is 100% export oriented sweater manufacturing company as well as deemed exporter of dyeing yarn for using in the export of sweater manufacturer. The company has its registered office at Agrabad C/A, Chittagong and the Factory is located at Feni, Bangladesh.

The company's revenue is generated from two segments viz. yarn dyeing and knitting. As of June 2016, the company's 70.9% revenue was generated from yarn dyeing and 29.1% from knitting. There are two customers namely Nexus Sweater Industries (Pvt.) Ltd. And Asif Apparels from Bangladesh who purchase about 31% of its products.

Main raw materials of the company are yarn and chemicals, which are procured from overseas mainly from China, Thailand, Singapore, Indonesia, Pakistan, Taiwan and Vietnam.

The company is continuously increasing the capacity of its knitting unit over the years. Historical capacity and its utilization are shown in the following table:

Particulars		2013-14	2014-15	2015-16	Apr'16-Jun'16
Knitting (Pcs)	Installed	1,626,337	1,643,038	2,111,038	527,760
	Utilization	992,895	1,099,359	1,410,281	341,568
	% utilization	61.05%	66.91%	62.26%	64.72%
Dyed Yarn (Lbs)	Installed	6,206,667	6,206,667	6,206,667	1,551,667
	Utilization	4,374,745	4,083,333	4,308,017	1,127,568
	% utilization	70.48%	65.79%	69.41%	72.67%

In April 2017, the company raised its capital amounting to BDT 430.00 million (43,000,000 shares \* BDT 10) through Fixed Price Method of Initial Public Offering (IPO) for business expansion as well as loan payment. Imperial Capital Limited, EBL Investments Limited and CAPM Advisory Limited are the manager to the issue whereas Ahmed Zakir & Co. is the auditor.

Utilization of the proceeds of IPO is as follows:

Use of Proceeds	BDT (in mn)	%	Implementation Schedule
Procurement of Machineries and Equipment	2,43.3	57%	within 18 months of receiving IPO proceeds
Steel Structure and Civil Construction	50.0	12%	Within 15 months of receiving IPO proceeds
Partial Loan Payment	118.0	27%	Within 1 month of receiving IPO proceeds
IPO Expenses	18.7	4%	As and when required
<b>Total</b>	<b>430.0</b>	<b>100%</b>	

### IPO Details

No. of Shares (Post-IPO) in mn	83.0
Authorized Capital (BDT mn)	1,000.0
Pre-IPO Paid-up Capital (BDT mn)	400.0
Post-IPO Paid-up Capital (BDT mn)	830.0
IPO size in shares (mn)	43.0
Face value per share (BDT)	10.0
Offer price per share (BDT)	10.0
NAVPS (Post-IPO, BDT) (March 2017)	12.7
Annualized EPS (Post-IPO, BDT)	0.76

	2013-14	2014-15	2015-16 (15 m)	2016-17 (6M Ann.)*
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### Financial Information (BDT mn) :

Sales	944	982	1,306	1,103
Gross Profit	184	193	258	201
Operating Profit	155	160	213	168
Net Profit	51	45	71	63
Assets	1,452	1,498	1,722	1,707
Long Term Debt	483	393	420	406
Short Term Debt	571	593	531	510
Equity	262	306	575	606

### Margin:

Gross Profit	19.5%	19.7%	19.8%	18.2%
Operating Profit	16.4%	16.3%	16.3%	15.2%
Pretax Profit	6.0%	5.6%	6.6%	6.9%
Net Profit	5.4%	4.6%	5.5%	5.7%

### Growth:

Sales	51.5%	4.0%	--	7.8%
Gross Profit	105.5%	5.2%	--	0.8%
Operating Profit	234.3%	3.0%	--	1.2%
Net Profit	194.5%	-12.3%	--	3.9%

### Profitability:

ROA	3.7%	3.0%	--	3.7%
ROE	21.7%	15.8%	--	10.7%

### Operating Efficiency Ratios:

Inventory TO*	1.80	2.25	--	2.47
Receivable TO	2.38	2.57	--	2.79
Payable TO	2.99	4.87	--	5.18
Total Asset TO	0.68	0.67	--	0.64
Fixed Asset TO	2.77	2.32	--	1.75

### Leverage:

Debt Ratio	72.6%	65.9%	55.2%	53.7%
Debt-Equity	402.8%	322.0%	165.4%	151.1%
Int. Coverage	1.6	1.5	1.7	1.8

\*TO indicates Turnover; \*Growth of 2016-17 is calculated for six months over same period of previous year.

N.B.: The Company has changed the reporting period to July-June from April-March in compliance with the Section-2(35) of the current Income tax Ordinance 1984.

### Board of Directors of the Company

Name of the directors	Position	% of Holdings	
		Pre-IPO	Post-IPO
Sk. Nurul Alam	Managing Director	21.35%	10.29%
Mrs. Rehana Alam	Chairman	18.75%	9.04%
Sk. Nur Mohammed Azger	Director	5.78%	2.78%
Bibi Hajera Nominee of Daudpur Rice Mills (Pvt) Ltd.	Director	32.50%	15.66%
Md. Anwarul Hoque	Independent Director	0.00%	N/A
<b>Total</b>		<b>78.38%</b>	<b>37.77%</b>

The directors are involved in other organizations namely Nurani Knit Composite Ltd., Daudpur Soya Processing Ind., Daudpur Rice Mills (Pvt) Ltd. and Modern Cold Storage Ltd.

### Industry Overview

Textile sector is the country's industrial backbone and mightiest pillar of foreign exchange. Textile and Apparel Sector of Bangladesh contributes more than 12% of GDP. There are around 5,000 garments industries and generates employment of 5.5 million people directly of which 80% are women. About 80% of export income comes from this sector.

Bangladesh is the world's second largest RMG exporters after China. Bangladesh's market share in the global RMG market is 5% with China holding 30% of the global apparel market. Bangladesh is targeting to have 8% of the global apparel market share to achieve the targeted US\$ 50 billion RMG exports by 2021. Currently, apparel demand in the global market is about US\$ 450 billion which will hit \$650 billion by 2021. According to Bangladesh Bank, during July – January of 2016-17, total export earnings from textile sector were about US\$ 16.4 bn. The products that are exported into foreign market are Shirts-60%, Jackets-11%, Knit items-10%, Trousers-7% and Others-12%.

Currently, 126 countries are using Bangladesh's woven products. The country has the biggest advantage of its cheap labor force. The current average wage rate in the industry is one of the lowest in the world. In Bangladesh, the average wage rate per month is USD 68 where it is USD 71, USD 73, USD 79 & USD 78 of India, Sri Lanka, Pakistan and Vietnam respectively.

According to Bangladesh Knitwear Manufacturers and Exporters Association, the EU and the US are the two largest importers of Bangladeshi garments and 86% of the total exports are serving these two giants. At present knit wear is exported 158 countries.

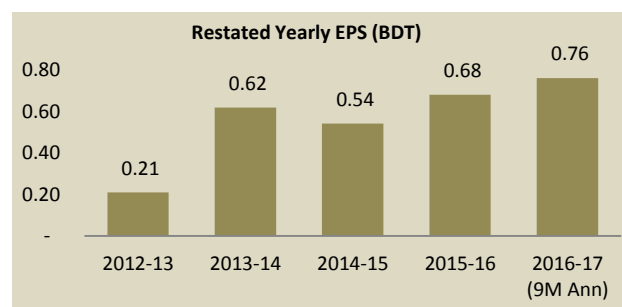
Bangladesh is highly dependent on India for cotton, the basic raw material for the textile industry, due to comparative price, shorter lead time and smooth supply. According to the latest data from Bangladesh Textile Mills Association (BTMA), Bangladesh imports 49% cotton from India to meet its demand. According to BTMA, the local mills can meet up to 40% of the total requirements of the woven sector's fabric requirement while the rest 60% was met through imports.

### Investment Positives

- The company is continuously increasing its installed capacity in knitting segment. At present, installed capacity in both knitting and dyeing segments are 2,111,038 pcs and 6,206,667 lbs respectively. After installation of new machineries, the company's installed capacity will increase by 31% in both segments. The company is expecting that new facilities will be in commercial operation by February 2019.
- The company's debt equity ratio is decreasing over the years. Moreover, the company planned to repay its debt of BDT 118 mn which is 29% of its existing total Long Term Loan. This will reduce the financial expense of the company.

### Investment Negatives

- About 31% of the company's total sales are generated by the two customers. Hence, losing any one or more of which would have adverse effects on its earnings.
- The company is highly exposed to foreign exchange risk as its revenue is generated from export sales and most of the raw materials are imported. Therefore, fluctuations in the related foreign currency rates may affect adversely to the company's profitability.



### Lock-in Period

Lock-in for 25% of the shares allotted to eligible investors shall be for 03 months and other 25% of the shares allotted to them will be for 06 months from the date of issuance of prospectus which is March 07, 2017.

### Valuation

#### Pricing Based on Peer Group Relative Valuation:

	Multiples	NDSL's Fundamental	Value/Share
Peer* Forward P/E	17.5	0.76 (Ann. EPS)	13.3
Sector Forward P/E	19.6		14.9
Market Forward P/E	15.6		11.9

\*MITHUNKNIT, ZAHINTEX and TUNGHAI are considered as peer group.

### Latest Declaration:

As per its latest 9 months (July 2016 - March 2017) performance declaration, the company reported profit after tax of BDT 47.63 mn registering 12.76% growth over the same period of last year.

Source: Prospectus of Nurani Dyeing & Sweater Ltd, The daily Star, the company website, the Financial Express, BGMEA, BKMEA and ILSL Research.

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