

MIR AKHTER HOSSAIN LIMITED

Company Overview

Mir Akhter Hossain Limited (MAHL) established its business and commenced its operation as partnership firm in 1968. Later on, it was incorporated as a private limited company on July 18, 1980, was converted into a public limited company on January 10, 2017.

MAHL engaged in the country's engineering and constructions sector as a well-diversified and leading company with operations in projects including constructions of roads, bridges, highways, railway tracks, airports, 5-star luxury hotels, discharge channels, civil construction of power plants, functional buildings, factory buildings and complex infrastructural projects. The company is also actively engaged in river dredging, gas pad drilling using high-tech utility rigs, manufacturing of railway sleepers and poles, and soil stabilization. The registered office of the Company is located at Red Crescent Borak Tower, Old Elephant road, Eskaton Garden, Dhaka-1000.

In addition to working under its own name, Mir Akhter also works under several joint venture agreements. The Company attaches profound importance to the co-operation of multinational companies and executed several projects of international standard by forming Joint Ventures with Internationally reputed Construction Companies namely Samwhan Corporation of Korea, Seokwang Development Company Limited of Korea, Halla Corporation of Korea, Ranken Railways Construction Group Company Limited of China, Sadeem Al Kuwait for General Trading and Contracting Company of Kuwait, Wuhan Municipal Construction Group of China, Komaihaltec Inc. of Japan.

Subsidiary Company: Mir Akhter Hossain Limited does not have any subsidiary or holding company.

Revenue: Mir Akhter, being a construction service provider, bids for project and after being awarded, provide the service in line with the agreement. Due to nature of the business, the volume of revenue for a single contract is high and the revenue of particular year may be significantly concentrated among several projects.

Raw Materials: The major raw materials are Rod, Stone, Cement, Bricks, Sand, Diesel, Hardware, Electric Goods etc. The Company procures most of the raw materials from local market. Mir Akhter Hossain Limited avoids significant dependency on any single supplier. Furthermore, Mir Akhter does not have any long term binding contract with any of its suppliers other than those entered into for day to day operational purposes. None of the suppliers of Mir Akhter account for more than 10% of its raw materials/ finished goods.

Credit Rating Status:

Rated by	Credit Rating Information and Services Limited	
Date of rating	September 30, 2019	
Rating	Long Term: AA-	Short Term: ST-3
Validity	September 29, 2020	
Rating based on	Audited Financial Statement up to 30 June 2018	

IPO Details

No. of Shares (Post-IPO) in mn	120.77
Authorized Capital (BDT mn)	2,000.00
Pre-IPO Paid-up Capital (BDT mn)	1,000.00
Post-IPO Paid-up Capital (BDT mn)	1,207.72
IPO size in shares (mn)	20.77
Total Issue Size (BDT mn)	1,250.00
Face value per share (BDT)	10.00
Offer price (For Gen. Public) per share (BDT)	54.00
Offer price (For EIs) per share (BDT)	60.00
NAVPS (Post-IPO, BDT) (December 2020)	43.98
Annualized EPS (Post-IPO, BDT) (HY Ann)	3.56

	2016-17	2017-18	2018-19	2019-20 (Q3 Ann.)
Financial Information (BDT mn):				
Sales	2,619	3,133	4,267	2,996
Gross Profit	656	822	1,132	835
Operating Profit	459	588	887	691
Profit After Tax	529	619	632	480
Cash & Cash Equiv.	628	411	498	405
Assets	9,839	12,634	16,988	19,913
Long Term Debt	4,983	6,602	9,998	11,750
Short Term Debt	2,276	2,512	2,712	4,006
Equity	2,112	2,839	3,471	3,831
Retained Earnings	2,092	1,731	2,363	2,724
Margin:				
Gross Profit	25.1%	26.2%	26.5%	27.9%
Operating Profit	17.5%	18.8%	20.8%	23.1%
Pre Tax Profit	11.9%	13.4%	12.2%	9.9%
Net Profit	20.2%	19.8%	14.8%	16.0%
Growth:				
Sales	-17.5%	19.6%	36.2%	-29.8%
Gross Profit	-28.6%	25.2%	37.7%	-26.2%
Operating Profit	-34.4%	28.2%	50.7%	-22.1%
Net Profit	-21.3%	14.8%	9.9%	-36.7%
Profitability:				
ROA	1.9%	1.6%	1.4%	0.7%
ROE	8.6%	7.4%	6.4%	3.5%
Operating Efficiency:				
Inventory TO	1.5	1.6	1.9	1.1
Receivable TO	10.8	6.5	17.7	-
A/C Payable TO	-	-	-	-
Total Asset TO	0.3	0.3	0.3	0.2
Fixed Asset TO	1.0	1.0	1.1	0.8
Leverage:				
Debt Ratio	73.8%	72.1%	74.8%	79.1%
Debt-Equity	343.7%	321.1%	366.2%	411.2%
Int. Coverage	3.3	3.5	2.5	1.7

IPO

The Company intends to raise BDT 1,250 million through Book Building method of Initial Public Offering (IPO). IDLC Investments Limited is the issue manager and G.Kibria & Co. is the auditor of the Company.

Utilization of the proceeds of IPO:

Use of Proceeds	BDT (in mn)	%	Implementation Schedule
Heavy Equipment	503.00	40.24%	
Aggregate Processing Plant	127.00	10.16%	
Asphalt Plant	45.75	3.66%	
Concrete Batching Plant	37.40	2.99%	W/i 18 months after receiving IPO Fund.
Warehouse and Workshop for Equipment Maintenance and Refurbishment	100.85	8.07%	
Repayment of Bank Loan	400.00	32.00%	Within 90 days after receiving IPO Fund.
IPO expenses	35.00	2.80%	As and when required
Total	1,250.00	100%	

Shareholding Structure:

Name of the Directors	Position	% of Holdings
		Post-IPO
Sohela Hossain	Chairman	12.42%
Mir Nasir Hossain	Managing Director	14.90%
Mahbuba Nasir	Director	11.60%
Shama-e Zaheer	Director	9.66%
Fida-e Zaheer	Shareholder	9.66%
Naba-e Zaheer	Shareholder	9.66%
Ruslan Nasir	Shareholder	7.45%
Mahreen Nasir	Shareholder	7.45%
Total		82.80%

All the directors of the Company are the members of the Chairman's family. The Directors of Mir Akhter Hossain Limited are not associated with any other listed companies other than the following:

Name of Directors	Engagement in Listed Company	Position
Mir Nasir Hossain	Eastern Bank Limited	Director
Sohela Hossain	NCC Bank Limited	Vice Chairman

Companies under common ownership

Other Businesses of Directors of MAHL

Name of the Concern	Nature of Business
Mir Ceramic Limited	Ceramic tiles manufacturer
Mir Telecom Limited	International Gateway Services (IGW)
Mir Holdings Limited	Real estate company
BTS Communications (BD) Limited	International private leased circuit
Coloasia Limited	Data centre
Global Fair Communications Limited	Private IIG operator
Bangla Telecom Limited	Interconnection Exchange (ICX) operator
Eastern Bank Limited (EBL)	Commercial bank
Jupiter Technology	Software Development and IT Firm
Mir Cement Limited	Cement manufacturer

Mir Power Limited	Solar power company
Mir Real Estate Limited	Real estate company
Mir Concrete Products Limited	Ready-mix manufacturer
NCC Bank Limited	Commercial bank
Mir Supply Chain Limited	Involved in cargo and shipment transportation Business
Mir Infrastructures Limited	Facilities development
Ergo Ventures Private Limited	ICT company
Algo Financials Limited	A start-up credit rating company
Evolyis Limited	Consulting Firm

Competitive Conditions

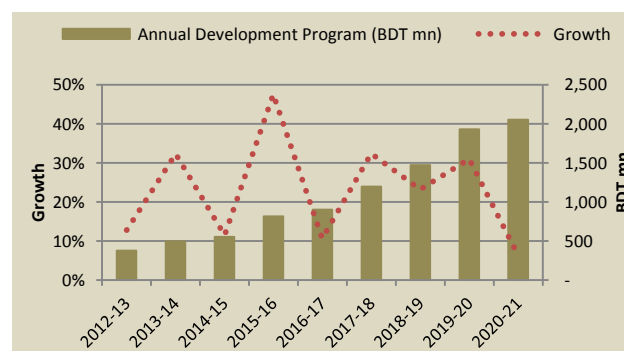
In the construction sector, the peer group who are also competitors of Mir Akhter Hossain Limited are - Abdul Monem Limited, Max Infrastructure Limited, Toma Group, Spectra Construction Company Limited, Monico Limited and Project Builders Limited.

Industry Overview

Bangladesh's construction industry has been passing good time over the years riding on increased development activities and mega projects buoyed by a stable economy and rising government expenditure. The construction sector is playing an increasingly strong role in the economy amid continued urbanisation and an array of large infrastructure projects undertaken by the government. The government is investing heavily in infrastructure development, especially in power generation, highways, bridges, buildings and telecom.

The construction industry of Bangladesh has improved substantially during the last twenty years. Construction sector is one of the 15 major sectors that contribute to the GDP. The value of the economic activities of the sector is estimated at BDT 737.17 billion for FY2018.

The construction sector is benefiting from an increasing capital allocation from annual development budget of the government. The size of Annual Development Program (ADP) has grown at an annual rate of 23% from BDT 333 million in 2011-12 to BDT 2,051 million in 2020-21.



The high growth in ADP is directly attributable to planned construction of industrial complexes, roads & bridges, power stations and civil infrastructures; which is a prerequisite for achieving the goal of overall economic development. Bangladesh's economy has grown by more than 6% on average during the last decade and in this journey, the construction industry has consistently played a pivotal role.

Investment in large-scale infrastructure projects is one of the key strategies of Bangladesh to fuel economic growth. The government's effort to improve the country's infrastructure to sustain growth in the manufacturing sector and expand municipal utilities will contribute to the growth in construction spending. Rising personal income levels, household growth, and population migration from rural to urban areas will augment the need for better construction facilities and road infrastructure developments in the country.

Increasing public investments into Bangladesh's commercial construction sectors will be a key market opportunity for the companies operating in the construction and infrastructure industry. The presence of a vast customer base is resulting in strong FDI (foreign direct investment) inflows into the country. Further, increasing investments in real estate and infrastructure sectors result in the growth of construction activities.

Bangladesh government recognizes infrastructure scenario and adopted Seventh Five-Year Plan (FY2016-20) and has prioritized an increase in its infrastructure investment. At present, many construction companies have emerged in Bangladesh. Among them, large scale companies are - Abdul Monem Ltd., Toma Construction Ltd., National Development Engineers Ltd., Mir Akhter Hossain Ltd., M Jamal & Company Ltd., Nurani Construction Ltd., Masud & Company Ltd., Hassan & Sons, Associated Builders Corporation Ltd, The Engineers & Arch, Associated Builders.

Investment Positives

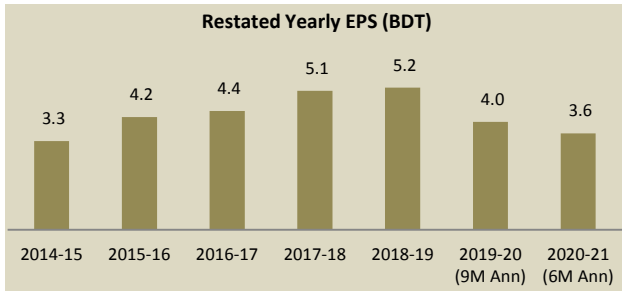
- Mir Akhter Hossain Limited **continues to hold a unique place in the country's engineering and construction sector since 1968** as a well diversified and leading company with operations in projects including constructions of roads, bridges, highways, railway tracks, airports, 5-star luxury hotels, civil construction of power plants and complex infrastructural projects. The Company is also **working under several joint venture agreements with Internationally reputed Construction Companies.**
- MAHL is planning to **expand its business by increasing capacity of construction business** through investing in heavy equipment for different projects. The company has planned to procure a dredger, cranes, aggregate processing plant, asphalt plant, concrete batching plant, build a large-scale warehouse and workshop for equipment maintenance, manufacturing of railway sleepers, manufacturing of concrete poles, to provide a one-stop construction management service beginning from architectural designs to the full construction of the intended structure.
- The Company has attained an **outstanding performance over the years driven by its diversified business motto.** MIR AKHTER is **currently working on 34 projects.** The **value of these on-going projects, is around BDT 57,616 million.** Some of the mentionable projects are - Development of Cox's Bazar Airport, Osmani International Airport, Sylhet, Site Preparation and Earthworks" for Hazrat Shahjalal International Airport Expansion Project, Improvement of Road from Bangabandhu Bridge (West Side) to Hatikamrul (19.80 km) to a 4-Lane Highway, Construction of Kanchpur, Meghna, Gumti 2nd bridges and rehabilitation of existing bridges (Sub-contract), Construction of 6 (six) 14-storied residential buildings in

block A of Dhaka Elevated Expressway Project, Construction of 16 (sixteen) bridges in Rajshahi Zone etc.

- The Company will **invest BDT 815.00 million for capital machineries procurement and built a warehouse and workshop for equipment maintenance** which will be financed through IPO process. The Company is expecting to start commercial operation from these imported machineries **within 18 months of receiving the IPO proceeds.** The proposed Project **Investment Cost Payback period is 3.04 years and Internal Rate of Return is 20.09%** which indicate a good financial performance in terms of early pay back and cost of borrowing perspective scenario.
- Mir Akhter's **clientele represents a broad spectrum of government bodies, industries and business sectors;** enabling it to apply its extensive experience and know-how to successfully executes mega projects under special circumstances.
- The **impressive trend of both the economy and the construction engineering sector** is set to continue because of the government's development focus and future plans. Being one of the pioneers and leading engineering construction companies in Bangladesh, Mir Akhter remains a highly active participant in this sector, fully equipped and ready to capitalize this wide horizon of future opportunities.
- Inventories of the company have increased over the years from BDT 1,488 million in 2015 to BDT 2,485 million in 2019. Being a leading engineering and construction company, Mir Akhter purchases inventories in bulk volume when the price declines to minimize costs of materials and maximize profit of the company.
- The Company will repay its bank loan of BDT 400.00 million out of its total loan (both long term and short term) of BDT 15,755 million as of March 2020 within three month from its IPO proceeds.

Investment Negatives

- **The Company is heavily exposed to leverage. As of March 2020, debt to total asset ratio stood at 79.1%. High interest eats-up an around 41% of its operating profit.** Interest coverage ratio was only 1.7x as of March 2020. The Company availed long term loan for expansion of the business and establishment of its power plants which will be incurring finance expenses in the coming years. MAHL is engaged in execution of construction projects which is long term in nature. The company took long term loans to finance construction of these projects in line with the work order received. So, the loans are backed by the cash flow of these projects. As Mir Akhter is engaged in large scale construction projects, the Company requires significant bank financing.
- As the Company is engaged in the government development projects, **changes in government policy** may hamper project works to be completed in due time.
- **Prices of construction materials** such as iron, cement, concrete are increasing rapidly in recent years. As MAHL has to complete the project works within stipulated time frame at fixed contract price, it is **exposed to price fluctuation risk.**



Latest Declaration

As per un-audited Q2 financial statements for the year 2020-21, the Company reported profit after tax of BDT 215.12 mn which was BDT 207.46 mn registering 3.69% growth over the same period of last year. Post-IPO EPS was BDT 1.78 for 6 (six) months (July-December 2020) period ended on 31 December 2020 and NAV per share was BDT 43.98 as of December 2020.

Source: Prospectus of Mir Akhter Hossain Limited, newspaper news and ILSL Research

Valuation

Pricing Based on Relative Valuation:

	Market Multiples	MAHL	Value/ Share
Sector Forward P/E	17.5	Forward EPS – 3.56	62.4
Sector P/B	2.1	NAVPS – 43.98	93.9

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