

Company Background

Mir Akhter Hossain Limited (MAHL) is engaged in the construction engineering business. Mir Akhter's diversified business includes various types of project developments such as the construction of roads, bridges, highways, railway tracks, airports, discharge channels, 5-star luxury hotels, civil construction of power plants, functional buildings, factory buildings, and complex infrastructural projects. The company is also actively engaged in gas pad drilling using high-tech utility rigs, river dredging, manufacturing of sleepers, and soil stabilization.

MIR AKHTER attaches profound importance to its partnerships with multinational companies. It continues to execute 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.

MAHL was established and commenced its operation as a partnership firm in 1968. Later, it was incorporated as a Private Limited Company on July 18, 1980. The company was converted into a Public Limited Company on January 10, 2017. At present, the authorized and paid-up capital of the company stands at BDT 2,000 million and BDT 1,000 million, respectively. It is among the top 3 companies in this sector in terms of capacity.

IPO Details

MAHL will raise BDT 1,250.0 million as an initial public offering (IPO) through book building method. The fund will be used mainly for increasing the capacity of the construction business and loan repayment.

The company is planning to expand its business by increasing the capacity of construction business through investing in heavy equipment for different projects. MAHL has plan to procure dredgers and cranes, construct an asphalt plant, concrete batching plant, aggregate processing plant, and build a large-scale warehouse and workshop for equipment maintenance and refurbishment. The loan repayment consists of partial repayment of BDT 200 million of Social Islami Bank Ltd., 100 million of Jamuna Bank Ltd., and 100 million of Dhaka Bank Limited.

The breakdown of the IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Equipment	503.0	40%
Aggregate Processing Plant	127.0	10%
Asphalt Plant	46.8	4%
Concrete Batching Plant	37.4	3%
Warehouse and Workshop for Equipment Maintenance & Refurbish-	100.9	8%
Repayment of Bank Loan	400.0	32%
Sub Total	1215.0	97%
IPO Expenses	35.0	3%
Total	1,250.0	100%

Key Points

- MAHL operates in the infrastructure development sector, which holds one of the highest priorities in the Annual Development Program (ADP). The sector is benefiting from an increasing capital allocation from the annual development budget of government every year. The high growth in ADP is directly attributable to the planned construction of industrial complexes, roads & bridges, power stations, and civil infrastructures. MIR AKHTER claims itself a leading company in this sector, being amongst the top 3 organizations in terms of capacity. MIR AKHTER has been leveraging its broad spectrum of capabilities and strengths to implement large scale government and private construction projects.
- MAHL experienced revenue growth of 35% CAGR during 2015-19. The company's overall revenue comes from two major segments: Own Construction Business and Joint Ventures (JV). Own Business segment contributes ~35% of the total revenue, while JV contributes ~65% to the overall topline. The Joint Venture is formed with internationally reputed Construction Companies to win international tenders.
- Deep partnerships with international engineering companies, a notable track record of winning large contracts, state of the art equipment portfolio and a highly experienced and professional engineering team consisting of 450 skilled engineers must give MIR AKHTER a competitive advantage while bidding for large scale construction projects.
- According to Mir Akhter Hossain Limited, the company wants to become more existent in the global market, which will help MIR AKHTER in case of involving more in Joint Venture projects and as well as to go for international contracts in the future.
- Brick, Cement, Concrete, Tiles, Rod, Sand, etc. are the key raw materials for MIR AKHTER. Although the company has a backward linkage of the construction materials to support the construction works, it sources from the open market for construction materials. Any supply gap in both the local and international market may hamper the project completion in due time.
- MIR AKHTER is a highly levered company with 4.0x Net Debt to Equity (Based on 9M/2020 Un-audited Statement). Although the company has a plan to repay BDT 400.0 million using the IPO proceeds, the amount is insignificant compared to the current outstanding loan of BDT 15.0 billion. High dependency on loans is one of the key risks attributed to this company.
- MAHL has no cash dividend history in the last five years. The company only declared a stock dividend in 2016 which was issued in 2017.

Mn BDT	2015A	2016A	2017A	2018A	2019A
Total Revenue	3,674	6,469	7,976	9,300	12,515
Revenue (Own)	3,174	3,176	2,619	3,133	4,267
Revenue (JV)	500	3,293	5,357	6,167	8,248
JV as % of Total Revenue	14%	51%	67%	66%	66%
Total NPAT	395	503	529	618	632
NPAT (Own)	249	202	159	182	201
NPAT (JV)	146	301	370	436	431
JV as % of Total NPAT	37%	60%	70%	70%	68%
Net Margin (Total)	10.8%	7.8%	6.6%	6.6%	5.0%
Net Margin (Own)	7.9%	6.4%	6.1%	5.8%	4.7%
Net Margin (JV)	29.1%	9.1%	6.9%	7.1%	5.2%

IPO Summary

Post IPO No. of Shares (Mn)	N/A
Post-IPO Paid-up Capital (Mn BDT)	N/A
Pre-IPO Paid-up Capital (Mn BDT)	1,000
New Shares Issued (Mn)	N/A
IPO Proceeds (Mn BDT)	1,250
Face Value	NA
Market Lot	N/A
Free Float	N/A
Accounting Year End	June
Auditor	G.Kibria & Co., Chartered Accountants
Issue Manager	IDLC Investments Limited

Income Statement

Mn BDT	2015A	2016A	2017A	2018A	2019A
Revenue (Own Business)	3,174	3,176	2,619	3,133	4,267
Cost of Contract Execution	(2,257)	(2,257)	(1,963)	(2,311)	(3,135)
Gross Profit	917	919	656	822	1,132
General & Admin Expenses	(202)	(220)	(197)	(234)	(245)
Contribution to WPPF	-	(17)	(16)	(21)	(26)
Profit from Operation	715	682	443	567	861
Non-operating income	4	5	8	19	23
Interest expenses	(325)	(338)	(139)	(168)	(361)
PBT from Own Construction Business	394	349	312	419	522
Tax expenses	(145)	(147)	(154)	(236)	(322)
PAT from own construction business	249	202	159	182	201
PAT from Joint Ventures (JV)	146	301	370	436	432
Total Net Profit after tax for the year	395	502	529	619	632
Restated EPS	3.95	5.02	5.29	6.19	6.32

Balance Sheet

Mn BDT	2015A	2016A	2017A	2018A	2019A
Total Non-Current Assets	2,211	3,652	5,754	7,814	11,329
Property, Plant & Equipment	1,290	2,510	2,889	3,481	3,971
Investment in Joint Venture	447	503	2,220	3,725	6,782
Investment in Projects	474	639	645	609	576
Total Current assets	2,816	3,399	4,085	4,820	5,659
Security Deposit (Retention Money)	407	539	631	702	784
Advances and Prepayments	14	681	275	729	1,089
Accounts Receivable	-	-	486	482	-
FDR	4	6	269	286	755
Advance Income tax net of Tax Provision	37	48	53	51	49
Inventories	1,488	1,807	1,744	2,118	2,485
Cash and Cash Equivalents	866	318	628	411	498
TOTAL ASSETS	5,027	7,050	9,839	12,634	16,988
Total Shareholders' Equity	1,081	1,583	2,112	2,839	3,471
Share Capital	20	20	20	1,000	1,000
Revaluation Reserve	-	-	-	108	108
Retained earnings	1,061	1,563	2,092	1,731	2,363
Total non-current liabilities	3,857	3,254	4,983	6,606	10,002
Long Term Loan	3,857	3,254	4,983	6,602	9,998
Total Current Liabilities	89	2,213	2,744	3,190	3,516
Short Term Loan	-	1,062	2,276	2,512	2,712
Deferred LC	-	1,048	353	601	696
Liabilities for Expenses	14	37	48	77	107
TOTAL EQUITY & LIABILITIES	5,027	7,050	9,839	12,634	16,988

Cash Flow Statement

Mn BDT	2015A	2016A	2017A	2018A	2019A
Operating Activities	-	-	-	443	1,288
Investing Activities	-	-	-	(2,346)	(4,437)
Financing Activities	-	-	-	1,686	3,235
Net Cash Flow	-	-	-	(217)	86

Ratios

	2015A	2016A	2017A	2018A	2019A
Gross Margin (Own Business)	28.9%	28.9%	25.1%	26.2%	26.5%
Operating Margin (Own Bus.)	22.5%	21.5%	16.9%	18.1%	20.2%
PBT Margin (Own Business)	12.4%	11.0%	11.9%	13.4%	12.2%
Net Margin (Own Business)	7.9%	6.4%	6.1%	5.8%	4.7%
Revenue Growth	-	0.1%	-17.5%	19.6%	36.2%
Operating Profit Growth	-	-4.6%	-35.0%	28.0%	51.7%
Total Net Profit Growth	-	27.1%	5.3%	16.9%	2.2%
Debt to Asset	0.77	0.61	0.74	0.72	0.75
Net Debt to Equity	2.77	2.53	3.14	3.07	3.52
Return on Asset	10.9%	8.3%	6.3%	5.5%	4.3%
Return on Equity	44.8%	37.7%	28.6%	25.0%	20.0%
Effective Tax Rate (Own Bus.)	36.8%	42.2%	49.2%	56.5%	61.6%

LIST OF COMPLETED PROJECTS

Projects	Contractee
Joint Ventures	
708 meter long Shahid Buddhijibi (3rd Buriganga) Bridge at Basila, Dhaka	Roads and Highways Department
810 meter long PC Box Girder Bridge at Gaforgaon, Mymensingh	Local Government Engineering Department (LGED)
Shahid Ahasan Ullah Master Ural Setu (Tongi Flyover)	Roads and Highways Department
Own Construction Works	
1,884 meter flyover at Mirpur - Airport Road, Dhaka	Roads and Highways Department
520.60 meter long bridge over Dhaleshwari River at Tangail	Local Government Engineering Department (LGED)
One bridge, one viaduct & 2 overpasses at Hatirjheel, Dhaka	Bangladesh Army
Independent University Bangladesh Campus at Bashundhara, Dhaka	Independent University, Bangladesh
Radisson Blu Water Garden Hotel, Dhaka	Sena Hotel Developments Limited
Chevron Bangladesh South-South Drill Pad, JB New Drill Pad, West Pad Construction	Chevron Bangladesh
Saiham Tower (14-storied with 3 stories underground), Gulshan 1, Dhaka	Saiham Properties
MTB Tower (12-storied with 3 basement), Kazi Nazrul Islam Avenue, Dhaka	Mutual Trust Bank Limited
Construction, replacement, reconstruction of bridges at 17 Locations under Eastern Bangladesh Bridge Improvement Project, Contract Package No. EBIP/Dhaka/CP-01	Roads and Highways Department
520 meter long bridge over Arial Khan River, Shibchar, Madaripur	Local Government Engineering Department (LGED)
504.55 meter long bridge over Gorai River, Kushtia	Local Government Engineering Department (LGED)
347.29 meter long PC Girder Bridge over Karatoa river at Sontola Ghat of Ullapara-Belkuchi Road, Sirajgonj	Roads and Highways Department
Asphalt overlay work on east and west approach roads of Bangabandhu Bridge, Tangail and Sirajgonj	Bangladesh Bridge Authority
Civil & building works of 100 MW power plant, Gopalganj	Energypac Power Generation Limited
Liberation War Museum, Agargaon, Dhaka	Liberation War Museum
10-storied Bangabandhu Poverty Alleviation Training Complex (BAPARD), Kotwalipara, Gopalganj	Local Government Engineering Department (LGED)
Civil & building works of Ashuganj 450MW Combined Cycles Power Plant (CCPP) (North) at Ashuganj, Brahmanbaria	Subcontract from the consortium of Technicas Reunidas
Renovation of Darbar Hall at Bangabhaban (President's Palace)	City PWD Division, Dhaka
NLI Tower (12 storied with 3 Basements) at Kawranbazar, Dhaka	National Life Insurance Company Limited
Admin & Guest House of Saudi Military Attaché at Baridhara, Dhaka	Ministry of Defense, Kingdom of Saudi Arabia
500-beds hospital (13-storied) at Mugda, Dhaka	Public Works Department
4-storied school building complex of Bangladesh International Tutorial Limited (BITL), sector 14, Uttara, Dhaka	Bangladesh International Tutorial Limited (BITL)
20-storied residential tower for police at Nilkhet, Dhaka	Public Works Department

ONGOING PROJECTS

Project	Cost (BDT)	as % of total ongoing projects
Improvement of Road from Dulla Mari Road to Tangail (22.4 km) from 2-Lane to 4-Lane including Structures in SASEC Project, Samwhan-Mir Akhter JV	8,907,521,098	15%
Improvement of Road from Bangabandhu Bridge (West Side) to Hatikamrul (19.80 km) to a 4-Lane Highway under SASEC Project JV with HEGO	6,497,293,796	11%
Development of Cox's Bazar Airport (Phase-I) (SH: Civil, AGL & NAV-aid Works) in Joint Venture with Halla Corporation and Seokwang of Korea	5,836,646,535	10%
Strengthening of Existing Runway and Taxiway at Shah Amanat International Airport, Chittagong, MIR AKHTER-CAMCE JV	4,758,290,173	8%
Strengthening of Existing Runway and Taxiway at Osmani International Airport, Sylhet JV with Halla Corporation	3,874,074,126	7%
Construction of 16 Bridges in Rajshahi Zone, Package No. PW-02 under Western Bangladesh Bridge Improvement Project	3,780,625,349	7%
Construction of 6 (six) 14-storied Residential Building at Uttara	3,487,925,627	6%
Construction of 7.35 km Road from Rajghat to Mohoriguna, in Moheshkali Upazila of Cox's Bazar under Matarbari Ultra Super Critical Coal Fired Power Project (RHD Part)	3,200,258,796	6%
Rehabilitation of Road from Badarkhali Naval Police Station to Yunuskhali including new 680m Kohelia Bridge under Matarbari Ultra Super Critical Coal Fired Power Project (RHD Part) JV with Halla Corporation	2,667,442,521	5%
Construction of 595m PC Box Girder Bridge Over Bakkhali River at Kusturi Ghat under Sadar Upazila of Cox's Bazar District under Cox's Bazar Airport Project (Phase-1)	2,599,101,560	5%
Other 24 Projects	12,006,959,804	21%
Total 34 Ongoing Projects	57,616,139,385	100%

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BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md. Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	Chief Executive Officer (Acting)	bappi@bracepl.com	01730 357 991
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BRAC EPL Research

www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142

Gulshan Avenue, Dhaka – 1212

Phone: + (880)-2-9852446-50

Fax: + (880)-2-9852451-52

E-Mail: research@bracepl.com