

QIO Details

Mamun Agro Products Limited (MAMUNAGRO) will raise BDT 100.0 million through qualified investors offering (QIO) by issuing 10.0 Mn shares under fixed price method. The fund would be utilised for building and civil construction, working capital and for QIO Expenses.

Primarily, the eligible investors (EI) are allowed to subscribe the company's shares. Individual investors can also apply as Qualified Investor (QI) but would have to maintain a minimum investment of BDT 10.0 Mn at market price (the close price of both exchanges, whichever is higher) in matured listed securities as on January 13, 2022. Subscription would start on January 23, 2022 and will continue till January 27, 2022.

The breakdown of the QIO proceeds is shown below:

Use of QIO	Mn BDT	% of Proceed
Building and other Civil Construction	13.3	13.3%
Delivery van	84.4	84.4%
Sub Total	97.7	97.7%
QIO Expenses	2.3	2.3%
Total	100.0	100%

Company Brief

Mamun Agro Products Limited (MAMUNAGRO) is a manufacturer and distributor of agro products in the categories of insecticide, pesticide and certified seeds which are sold in the local market. The company started commercial operation on January 11, 2003. The factory of MAMUNAGRO is located in BSCIC Industrial Area, Dhamrai, Dhaka. The factory has a repacking capacity of 5000 MT/KL.

Product details

The principal products of the Company are pesticide and seeds. Pesticides include insecticides, fungicides, herbicides and micro-nutrients fertilizers. Seed product portfolio comprises vegetable seeds, paddy seeds and maize seeds.

Competitive landscape

At present, there are about 350 companies working in the crop protection (pesticide) sector, with ~50,000 dealers across the country involved in selling pesticides. The industry is highly regulated and governed by the Pesticides (Amendment) Act 2009, which regulates the import, manufacture, formulation, sale, distribution and the use of pesticides.

In the seed business, currently there are over 150 private seed companies and 17,500 registered seed dealers in Bangladesh. The overall Bangladeshi seed market is catered by local players, both state-owned and private, who market certified commercial seeds. The major players in the seed market of Bangladesh are BRAC Seed and Agro Enterprise, Lal Teer Seed, Advanta Seeds Pty Ltd, Bayer crop science and Bioseed.

Industry Outlook

The present market value of the crop protection industry is USD 250 million. The industry has expanded at 10-yr CAGR of 10%. Since the country needs to boost its agriculture productivity to ensure food security for its increasing population with limited amount of arable lands, the industry is expected to sustain growth at a similar pace.

In addition, Ministry of Agriculture estimates ~1.3 million tonnes of seeds are required to produce various crops every year, of which ~40% are for vegetable production.

QIO Summary

		MAMUNAGRO
DSE Ticker		MAMUNAGRO
QIO Proceeds	(BDT Mn)	100.0
New Shares Issued	(Mn)	10.0
Pre-QIO No. of Shares	(Mn)	40.0
Post QIO No. of Shares	(Mn)	50.0
Pre-QIO Paid-up Capital	(BDT Mn)	400.0
Post-QIO Paid-up Capital	(BDT Mn)	500.0
Face Value	(BDT)	10.0
Accounting Year End		June
Auditor		Ashraf Uddin & Co. Chartered Accountants
Issue Manager		BMSL Investment Limited; Uttara Finance Capital Management Limited
Sector		Pharmaceuticals and Chemicals
GICS Mapping		15101030

Income Statement

BDT Mn	2016A	2017A	2018A	2019A	2020A
Revenue	270.5	321.7	376.8	422.1	467.8
Cost of Goods Sold	158.6	188.2	220.0	245.8	270.9
Gross Profit	111.8	133.5	156.8	176.3	196.9
Operating Expenses	55.6	63.3	85.8	103.3	117.0
Operating Income	56.2	70.2	71.0	73.0	79.8
Other Income	0.1	0.2	0.2	0.2	0.2
Financial Expenses	18.7	24.5	22.6	15.3	14.4
Contribution to WPPF	-	-	-	2.8	3.1
Profit Before Tax	37.6	45.9	48.5	55.1	62.5
Income Tax Expense	11.4	12.1	12.6	10.8	10.8
Profit After Tax	26.3	33.8	35.9	44.3	51.6
Pre-QIO EPS	0.66	0.84	0.90	1.11	1.29
Post QIO EPS	0.53	0.68	0.72	0.89	1.03

Balance Sheet

BDT Mn	2016A	2017A	2018A	2019A	2020A
Total Non-Current Assets	126.0	146.4	167.7	183.5	323.6
Property, Plant and Equipment	126.0	146.4	158.8	152.3	321.3
Right of Use Asset	-	-	-	-	2.1
Capital Work In Progress	-	-	9.0	31.0	-
Total Current Assets	187.2	225.1	272.1	375.5	352.8
Inventories	86.7	141.3	179.2	177.3	199.9
Trade Receivables	89.1	66.5	67.9	85.3	99.0
Advance, Deposit & Prepayment	10.0	11.8	11.7	99.5	48.9
Cash And Cash Equivalent	1.4	5.4	13.3	13.4	5.0
Total Assets	313.2	371.5	439.8	559.0	676.3
Total Equity	61.0	94.8	130.7	273.9	570.9
Share Capital	1.0	1.0	1.0	99.9	400.0
Retained Earnings	60.0	93.8	129.7	174.0	170.9
Non-Current Liabilities	95.2	100.6	117.6	94.0	29.0
Share Money Deposit	81.6	81.6	81.6	66.9	-
Long Term Borrowings	1.6	2.8	10.4	3.7	2.0
Lease Finance	-	-	5.4	0.5	-
Deferred Tax Liabilities	12.0	16.2	20.1	22.9	26.2
Current Liabilities	157.0	176.1	191.5	191.1	76.4
Current Portion of Long Term Borrowings	2.8	2.3	4.3	5.0	4.2
Current Portion of Lease Finance	-	-	2.2	2.3	0.5
Short term borrowings	113.5	133.7	145.9	139.5	40.1
Trade & Other Payables	32.9	12.1	10.8	11.6	6.8
Liabilities for Expenses	1.6	20.0	19.3	22.0	9.9
Liabilities for Current Tax	6.2	7.9	9.1	8.0	7.6
Total Liabilities	252.2	276.7	309.1	285.1	105.4
Total Equity and Liabilities	313.2	371.5	439.8	559.0	676.3

Ownership Structure

Sponsors and Directors currently own 37.58% of the pre-QIO shares, which would stand at 30.06% post-QIO. Muhammad Rashedul Islam and Jannatul Ferdousi, two administrative employees own a combined total of 12.00% of the pre-QIO shares which would dilute to 9.60% post-QIO. (please see shareholding table for details).

Financial Performance

During FY16-20 period, MAMUNAGRO experienced growth in revenue and net profit at 4-year CAGR of 14.7% and 18.4% respectively. The company's Gross Margin, Operating Margin and Net Profit Margin was 42.1%, 17.1% and 11.0% respectively in FY20. In terms of leverage, the company has manageable debt level in its capital structure, while the coverage ratio similarly indicates the company has adequate debt servicing capacity. However, cash conversion in days has been significantly high over the years, indicating the company requires large working capital investment.

Dividend History

The company has never declared cash dividend. It declared 54.57% stock dividend for the year ended June 30, 2019. As per Bangladesh Securities and Exchange Commission's (BSEC) requirement, it cannot issue stock dividend for three years after it is listed on the SME platform.

Pricing

Pre-QIO EPS in 2020 was BDT 1.29, whereas post-QIO EPS would be BDT 1.03. Pre-QIO NAVPS was BDT 14.27 in 2020, whereas post-QIO NAVPS would stand at BDT 11.42. Offer price per share is BDT 10.00, implying a **pre-QIO P/E of 7.8x and pre-QIO P/NAV of 0.7x**.

Lock-in requirements

Lock-in period is **1 year** for sponsors as well as existing shareholders.

ESG Footprints:

Environment Footprints:

No disclosure available regarding the environmental impact of its products.

Social Footprints

Through producing crop protection products, it is playing a critical role in the country's agricultural sector in by enhancing food production and ensuring food security for the overall economy. The company has 81 employees as on March 31, 2021. It has established a Workers' Profit Participation Fund (WPPF) and has been sharing profit since 2019.

Corporate Governance

At present, MAMUNAGRO's board comprises five directors and two sponsors. One of the directors is an independent director. Among the existing directors, managing director Md. Mamunur Rashid is the husband of Mrs. Nasrin Jahan Mamun who serves as the chairman of the board. In addition to that, Tasnim Tamanna and Tabassum Jannat Nova, two directors on MAMUNAGRO's board are sisters and the daughters of Md. Mamunur Rashid and Mrs. Nasrin Jahan Mamun. None of the Directors is involved with other business.

Once listed, Mamun Agro Products Limited will trade in the SME Platform in DSE & CSE.

Cash Flow Statement

BDT Mn	2016A	2017A	2018A	2019A	2020A
Operating Activities	13.9	17.0	30.7	58.4	7.3
Investing Activities	(17.3)	(27.0)	(29.5)	(108.9)	(61.1)
Financing Activities	(3.1)	13.9	6.8	50.6	45.4
Net Cash Flow	(6.5)	4.0	7.9	0.1	(8.5)

Ratios

Growth	2016A	2017A	2018A	2019A	2020A
Revenue	n/a	18.9%	17.1%	12.0%	10.8%
Operating Profit	n/a	24.9%	1.1%	2.8%	9.4%
Net Profit	n/a	28.7%	6.4%	23.2%	16.6%

Profitability	2016A	2017A	2018A	2019A	2020A
Gross Margin	41.3%	41.5%	41.6%	41.8%	42.1%
Operating Margin	20.8%	21.8%	18.8%	17.3%	17.1%
Net Margin	9.7%	10.5%	9.5%	10.5%	11.0%
Return on Asset	8.4%	9.9%	8.9%	8.9%	8.4%
Return on Equity	43.0%	43.4%	31.9%	21.9%	12.2%

Liquidity	2016A	2017A	2018A	2019A	2020A
Current Ratio	1.2x	1.3x	1.4x	2.0x	4.6x
Quick Ratio	0.6x	0.5x	0.5x	1.0x	2.0x

Leverage	2016A	2017A	2018A	2019A	2020A
Debt to Asset	37.63%	37.36%	38.25%	26.99%	7.28%
Debt to Equity	1.9x	1.5x	1.3x	0.6x	0.1x

Coverage	2016A	2017A	2018A	2019A	2020A
Interest Coverage	3.0x	2.9x	3.1x	4.8x	5.5x
Net Debt to EBITDA	1.9x	1.7x	2.0x	1.7x	0.5x

Activity	2016A	2017A	2018A	2019A	2020A
Asset Turnover	0.9x	0.9x	0.9x	0.8x	0.8x
Inventory Turnover	1.8x	1.7x	1.4x	1.4x	1.4x
Receivables Turnover	3.0x	4.1x	5.6x	5.5x	5.1x
Payables Turnover	4.8x	8.4x	19.2x	22.0x	29.6x
Cash-Cycle (days)	241	262	308	310	309

Significant Shareholders

Name of Shareholders	Designation	No. of Shares	Pre-QIO Ownership	Post-QIO Ownership
Md. Mamunur Rashid	Managing Director	6,884,356	17.21%	13.77%
Mrs. Nasrin Jahan Mamun	Chairman	5,783,252	14.46%	11.57%
Tasnim Tamanna	Director	1,216,882	3.04%	2.43%
Tabassum Jannat Nova	Director	1,146,071	2.87%	2.29%
Muhammad Rashedul Islam	Shareholder & Employee	1,950,546	4.88%	3.90%
Jannatul Ferdousi	Shareholder & Employee	2,850,546	7.13%	5.70%
Ms. Nurjahan	Shareholder	2,172,843	5.43%	4.35%
SK Trims & Industries	Shareholder	1,834,395	4.59%	3.67%
Shamima Akter	Shareholder	852,728	2.13%	1.71%
Bikrampur Potato Flakes Industries Ltd	Shareholder	1,900,000	4.75%	3.80%
Beacon Medicare Ltd	Shareholder	1,250,000	3.13%	2.50%
Private placement shareholders	Shareholder	12,158,381	30.40%	24.32%

IMPORTANT DISCLOSURES

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